

GREATER MANCHESTER POLICE AUTHORITY

STATEMENT OF ACCOUNTS

2009/2010

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF GREATER MANCHESTER POLICE AUTHORITY**

Opinion on the accounting statements

I have audited the accounting statements, the police pension fund accounting statements and related notes of Greater Manchester Police Authority for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The police pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The accounting statements and police pension fund accounting statements have been prepared under the accounting policies set out within them.

This report is made solely to the members of Greater Manchester Police Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the accounting statements, including the police pension fund accounting statements, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements, the police pension fund accounting statements and related notes give a true and fair view, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial transactions of its police pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, the police pension fund accounting statements and related notes and consider whether it is consistent with the audited accounting statements, the police pension fund accounting statements and related notes. This other information comprises the Explanatory Foreword.

I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements, the police pension fund accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements, the police pension fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements, the police pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements, the police pension fund accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements, the police pension fund accounting statements and related notes.

Opinion

In my opinion:

- the accounting statements and related notes give a true and fair view, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and
- the police pension fund accounting statements give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the police pension fund during the year ended 31 March 2010 and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for police authorities published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for police authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Greater Manchester Police Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Mick Waite
District Auditor
Officer of the Audit Commission

29th September 2010

Audit Commission
Aspinall House
Aspinall Close
Middlebrook
Horwich
BOLTON
BL6 6QQ

PROFILE OF THE GREATER MANCHESTER POLICE AUTHORITY

Composition

The Greater Manchester Police Authority was created under Section 24 of the Local Government Act 1985, with effect from 1st April 1986. This legislation is amended by the Police and Magistrates' Courts Act, 1994, with effect from 1st April 1995 and consolidated by the Police Act, 1996. The Authority comprises 19 members, 10 elected members nominated by the 10 district councils, 1 magistrate and 8 independent members selected by arrangements laid down under the 1996 Act. Magistrates were previously nominated by the Joint Magistrates' Committee for the County but from 1st April 2005 new appointments are made by the Police Authority under the terms of the Courts Act, 2003.

Statutory Responsibilities

Section 6 of the Police Act, 1996, lays down the functions of the Authority. Its overall duty is to maintain an efficient and effective police force for the area. In doing so the Authority must have regard to any national objectives set by the Home Secretary and to the local objectives that it must determine for itself following consultation with the community. These objectives, together with a statement of the Authority's priorities for the year, expected financial resources and the allocation of those resources, must be published as the local policing plan before the beginning of each financial year.

In addition, Section 3 of the Local Government Act 1999 and the Home Office Best Value and Planning Guidance for Police Authorities and Forces 2003 set out the Authority's need to have regard to Best Value principles, which is to make arrangements to secure continuous improvement in the way in which all its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The Authority appoints the Chief Constable and appoints the Deputy and Assistant Chief Constables in consultation with the Chief Constable.

Finance

The Authority's net expenditure is financed from four sources: -

- A cash limited Police Grant and various Specific Grants from the Home Office.
- A Precept based on the estimated number of chargeable dwellings in Greater Manchester, collected by the 10 district councils along with their own council tax and other precepts and levies.
- Revenue Support Grant from Central Government.
- National Non-Domestic Rates redistributed by Central Government.

Support Services

The Chief Executive and Strategic Director of Customer & Support Services of Salford City Council act respectively as Chief Executive and Treasurer to the Authority, and various other officers provide a range of professional and administrative services through service level agreements.

GREATER MANCHESTER POLICE AUTHORITY MEMBERSHIP

The Authority comprises 19 members, 10 elected members nominated by the 10 district councils, 1 magistrate and 8 independent members selected by arrangements laid down under the Police Act, 1996. Magistrates were previously nominated by the Joint Magistrates' Committee for the County but from 1st April 2005 new appointments are made by the Police Authority under the terms of the Courts Act, 2003.

Police Authority Membership at 31st March 2010

Councillor W. Bray	Ms. E. Belton
Councillor D. Lancaster	Mrs. C.B. Conchie
Councillor P. Murphy	Mrs. S. Hardman
Councillor K. Pendlebury	Mr. I. Hargreaves
Councillor P.V.K. Porgess	Mr. M. Hussain
Councillor C. Rigby	Mrs. C. McGawley, J.P.
Councillor N. Spencer	Mrs. G. Oates
Councillor B. Todd	Mr. L. Rowbotham
Councillor R. Walker	Mrs. P. Taylor
Councillor S. Williams	

In addition to the Members above the Authority has two Independent (Lay) Members to serve on its Standards Committee following a selection process laid down by the Local Government Act, 2000. At 31st March the two Lay Independent Members were Mr. J. Place and Mrs. C. Berry.

The Police Act 1996 requires that a Panel be convened periodically to select a shortlist of Independent Members. The Panel met twice during 2009/10.

The Home Secretary's nominee to the Panel was Mrs. B.Hilton.

Committees

The Authority has established the following Committees and Panels: -

- Citizens Focus and Communication Committee
- Finance, Assets and Technology and Resources Committee
- Audit and Inspection Committee
- Standards Committee
- Scrutiny Committee
- Complaints and Professional Standards Committee
- Human Resources Committee
- Health and Safety Sub Committee
- Appointments and Remuneration Panel
- Strategy and Resources Group
- Budget Strategy Group
- Scrutiny Panel
- Appeals Panel
- Statement of Accounts Working Group
- Police Property Act Fund Board

EXPLANATORY FOREWORD

1. Introduction

The Police Authority is pleased to present its Statement of Accounts for 2009/10, covering the 12 months up to 31st March 2010, which it hopes you will find helpful and informative. The purpose of this explanatory foreword is to offer an easily understandable guide to the most important matters reported in the accounts. However, should you wish to review a simpler summary of accounts which highlights the main points of interest, (rather than the full detailed version contained in this document) a copy of the summary of accounts and further information about the Authority can be obtained by visiting www.gmpa.gov.uk

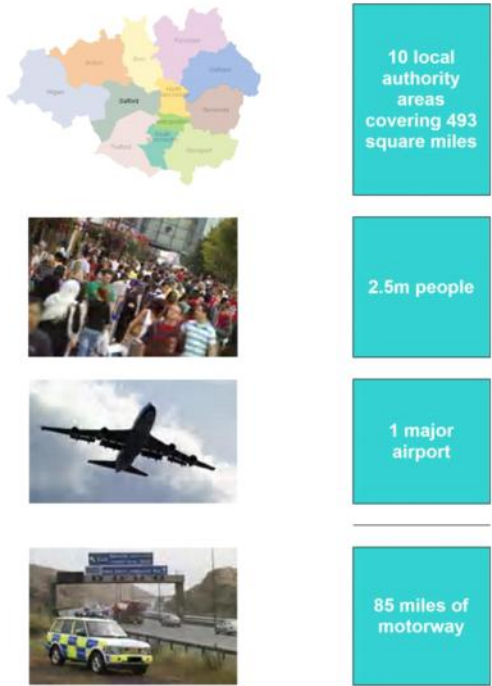
The accounts have been prepared in accordance with the Accounts and Audit Regulations 2003 (as amended), the Code of Practice on Local Authority Accounting 2009 and the Best Value Accounting Code of Practice 2009. As required by the above, the accounts are necessarily extremely detailed and technical and explanatory notes are included.

This forward is divided into the following main areas

- Background data and Statistics about Greater Manchester Police
- Details of what is included in the statement of accounts
- Details of changes to the statements for 2009/10
- Review of 2009/10
- Statement of pension liability
- Statement on the impact of Private Finance initiative
- Analysis of borrowing
- Forward look 2010/11 including capping
- Sustainability

2. Background

Greater Manchester Police Authority Is a Metropolitan Police Authority and the Force polices:



Resources at its disposal include:



8,200	Police Officers
4,200	Police Staff
848	PCSO's
<hr/>	
13,248	Total



35 horses



1 Tactical dog unit



2,150 vehicles



1 Air support unit



90 buildings

Operational performance

Using the resources outlined previously the highlights of operational performance during the year were:



3. What's in the Statement of Accounts?

To assist you an explanation of what is included in the Statement of Accounts, their purpose and the relationship between them is set out below:

a. Statement of Accounting Policies (page 22)

This statement explains the basis for the recognition, measurement and disclosure of transactions in the accounts. The accounts can be properly appreciated only if the policies which have been followed in dealing with material items are explained. In general, entries in the accounts are measured using the same methods that a large UK company would use, that is UK generally accepted accounting practice (UK GAAP). However, see section 8 below for information on the movement to International Financial Reporting Standards (IFRS).

b. Statement of Responsibilities for the Statement of Accounts (pages 31 and 32)

This sets out the different responsibilities that the Authority and the Treasurer have for the content, production and approval of the accounts.

c. Joint Annual Governance Statement (page 33)

The Authority has adopted the Code of Corporate Governance. This statement explains how the Authority and force has complied with the requirement to conduct a review at least once a year of the effectiveness of its systems of internal control.

d. The Core Financial Statements

• Income and Expenditure Account (page 54)

This statement is fundamental to the understanding of the Authority's activities in that it reports the net cost for the year of all the functions for which the Authority is responsible and demonstrates how that cost has been financed from general government grant and local taxpayers. The statement is in 3 sections;

- the first records the cost of activities undertaken,
- the second records activities which relate to the authority as a whole and
- the third shows general government grants; income from local taxpayers and the deficit for the year in accordance with UKGAAP.

- **Statement of Movement on the General Fund Balance** (page 56)

The cost of all the Authority's activities is recorded in the Income and Expenditure account. However, the Authority has to set its Precept (the police portion of Council Tax) on a different accounting basis, the main differences being accounting for capital expenditure and retirement benefits. This reconciliation statement summarises the difference between the deficit on the Income and Expenditure account and the movement on the General Fund balance in the year.

- **Statement of Total Recognised Gains and Losses (STRGL)** (page 56)

This statement brings together gains and losses recorded in the balance sheet and the deficit on the income and expenditure account to show the total movement in the Authority's net worth for the year.

- **Balance Sheet** (page 57)

The balance sheet is fundamental to understanding the Authority's financial position at the end of the year. It shows the balances and reserves at its disposal, its long-term indebtedness and the assets employed in its operations at that date.

- **Cash Flow Statement** (page 59)

This consolidated statement summarises the inflows and outflows of revenue and capital cash that have taken place during the year with third parties.

e. Notes on the Core Financial Statements (page 61)

The notes provide further information on material and other items of interest with the purpose of providing you with enough information to have a good understanding of the figures presented.

f. Police Authority Pension Fund Account (page 91)

Each Authority is required to operate a pension account for Police Officers' pensions with specified amounts paid in and out. The scheme has no assets and the purpose of the account is to record the cash based transactions that have taken place in the year and the arrangements needed to balance the account at the end of the year.

g. Glossary of financial terms (page 94)

The nature of this document means that the technical words are unavoidable. The glossary is intended to simplify and explain such words.

3. Changes introduced to the Finance Statements for 2009/10

There have been changes in the Financial Statements for 2009/10. As applicable to this Police Authority these are:

- a) The accounting requirements for the Private Finance Initiative (PFI) and similar contracts are no longer based on UK Financial Reporting Standard (FRS) 5, but on International Financial Reporting Standards (IFRS). The requirements apply to PFI and similar contracts in existence at 31st March 2009 (for which prior period adjustments will be required) as well as contracts signed since that date. PFI properties used to deliver PFI services will generally be required to be recognised on authorities' balance sheets together with a liability for the financing provided by
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the PFI operator. Regulations to ameliorate any impacts on authorities' funding positions are in place.

b) Accounting for Council Tax has changed and now includes a requirement for the share of Council Tax debtors that relates to major precepting authorities to be included in the balance sheets of those major precepting authorities and not the balance sheets of billing authorities. In other words these debtors now appear in the Police Authority's balance sheet and not the balance sheets of the ten greater Manchester local authorities.

c) The note to the accounts which concerns the disclosure of remuneration of staff and police officers above a minimum level has been changed to introduce new and extended disclosure requirements.

d) The portion of long term financial liabilities due to be settled within 12 months of the balance sheet date must now be presented in current liabilities.

e) Notes to the accounts concerning section 137 expenditure (limited spending on activities for which the police authority has no specific powers but which is designed to benefit the area) and publicity expenditure are no longer required.

f) A new analysis of Police revenue expenditure has been introduced.

The above measures introduce substantial changes to the core financial statements, accompanying notes and prior year comparators. For the sake of brevity an explanatory note drawing attention to the amendment has not been attached to every statement and note that has changed.

4. Review of 2009/10

a) Revenue

The government provided 81% of the money required to fund the Authority's budget requirement. The remainder was paid by local taxpayers through the Precept (police portion of Council tax). The budget is set in February each year in the context of the 5 year Strategic Financial Outlook (SFO). This process is overseen by Budget Strategy Group, a senior Member, Police Authority Officer and Command Team Forum. The 2009/10 budget was approved on 13th February 2009 as follows:

2008/09 £000		2009/10 £000	Increase £000	Increase %
544,927	Budget requirement	566,044	21,117	3.9
	Funded by:			
445,613	Government	458,937	13,324	3.0
99,314	Local taxpayers	107,107	7,793	7.8
544,927		566,044	21,117	3.9

Included in the 2009/10 figures is a contribution of £1.191m from the Authority's General Fund accumulated balance which was used to fund one off items of expenditure.

The Budget Requirement set of £566.044m resulted in a Band D Precept of **£134.26** (£124.90 the previous year, a cash increase of £9.36 per year or 7.5%). The 7.5% precept increase differs from the 7.8% shown in the table above because the local taxpayers item includes

adjustments other than the percentage increase in this years precept e.g. increases in the tax base due to new residential developments.

b) Monitoring

A system of Devolved Financial Management (DFM) is in place together with a rigorous system of budgetary control, which ensured resources were allocated to priorities as required. At one stage during the year a possible overspend of £3.170m was identified, however immediate action was taken with all budget holders to address this and by the end of the year the situation had been retrieved to the extent that the final overspend was £0.153m. The table below summarises the financial position for the year against the budget set.

Description	Budget 2009/10 £000	Actual 2009/10 £000	Variance £000
Expenditure	676,057	723,960	47,903
Income and specific grants	(112,370)	(160,000)	(47,630)
Interest payable	6,237	4,694	(1,543)
Interest receivable	(3,880)	(2,457)	1,423
Budget requirement	566,044	566,197	153
Funded by:			
General government grants	280,231	280,231	0
National non-domestic rates	178,706	178,706	0
Local Taxpayers (precept)	107,107	107,107	0
	566,044	566,044	0
Net	0	153	153

The table shows that the General Fund balance at the end of March 2010 will be £153,000 less than the previous year, this is 0.02% different from the budget set. The budget column includes a contribution from General Fund of £1.191m but different accounting rules mean that the contribution cannot be taken into account when actual expenditure is calculated.

The Income and Expenditure account on page 54 shows a deficit of £172,064,000. This is because the Income and Expenditure Account includes not only the costs shown in the table above but additionally includes all sums for which the Authority is responsible, for example Capital accounting, pension costs and accounting for financial instruments. The two figures are reconciled in the Statement of Movement on the General Fund Balance on page 56. The note to that statement on page 73 gives further details.

c) General Fund Balance at 31st March 2010

The Authority's balances strategy is to set a target level for the General Fund annually based on an assessment of the key financial risks facing the Authority. This assessment showed that the balance should be between £7.679m and £9.016m for 2009/10. The final General Fund balance is as follows:

Opening balance	£000 12,892
Revenue account deficit	(153)
Balance at 31 st March 2010	12,739

The budget for 2010/11 has been set on the assumption that £2.952m from the General Fund will be used to balance the budget.

d) Capital

In addition to revenue expenditure money is spent on assets such as buildings, computers and vehicles, which will be used by the Authority in the long term. Capital expenditure can be financed from:

- "supported" borrowing, which attracts government support through the Revenue Support Grant (RSG) system
- "unsupported" (or prudential) borrowing, which does not attract government support. The Authority decides how much to borrow based on what is affordable, prudent and sustainable within the meaning of the Prudential Code
- Capital grants
- usable capital receipts arising from the sale of surplus assets
- amounts set aside from the revenue account

In 2009/10 the Authority spent £57.450m on capital projects (£47.361m in 2008/09). The categories of expenditure and methods of financing are shown on page 76.

The sources of funding during the year were:

	£000
Supported borrowing	3,744
Unsupported borrowing	9,331
Capital Grants	38,576
Capital receipts (sale of surplus assets)	4,000
Funded from revenue account	5,376
Provision for debt repayment	(3,577)
	57,450

The major schemes undertaken during the year were:

	£000
Estates strategy	40,106
Information Technology	8,262
Vehicles	4,988
Other	4,094
	57,450

In 2009/10 the Authority sold surplus assets worth £0.583m (£1.555m in 2008/09).

5. Pensions liability

Police officers and Police staff are offered retirement benefits by the Authority as part of their terms and conditions of employment. Although these benefits will not actually be payable until employees retire, Financial Reporting Standard (FRS) 17 requires that the commitment to make future payments is disclosed at the time that employees earn their future entitlement.

The Authority participates in two pension schemes:

- The Police Pension Scheme for police officers – this is an unfunded defined benefit final salary scheme administered by the Greater Manchester Police Authority, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated from employee and employer contributions to meet actual pensions payments as they eventually fall due. Under the Police Pensions Fund Regulations 2007, if the amounts receivable by the pensions fund for the year is less than amounts payable, the police authority must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up grant. If however the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the police authority, which then must repay the amount to central government.
- The Local Government Pension Scheme for police staff employees, administered locally by Tameside Metropolitan Borough Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

This FRS has a significant adverse impact on the net cost of services although, as the adjustments are reversed out in the Statement of Movement on the General Fund Balance, not on the level of local taxation.

There is also a significant adverse impact on the balance sheet which shows the estimated value of the Authority's pension commitments should they be called now. The estimated liability is:

2008/09 £m		2009/10 £m
3,253.196	Police Officers	4,932.800
43.100	Police Staff	201.200
3,296.296	Total	5,134.000

The substantial increase in the liability is due to changes in actuarial assumptions and mortality rates.

However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

Full FRS17 notes appear as note 10 to the Income and Expenditure Account on page 67 and note 42 to the Balance Sheet on page 83.

6. Private Finance Initiative (PFI)

On 4th December 2002, the Authority entered into a Private Finance Initiative (PFI) scheme to provide 17 new police facilities on 16 sites. The scheme is now complete. Payments to the contractor, the unitary charge, began with the opening of the first building and commencement of the service. The contractor will operate and service the stations for 25 years, after which ownership will revert to the Police Authority at nil cost. The unitary charge will be met from revenue and PFI credits (i.e. grant) awarded by the Home Office.

Financial transactions in the year have been as follows:-

2008/09 £m		2009/10 £m
5.315	PFI grant receipts (in advance)	5.315
(4.617)	PFI grant applied	(4.704)
0.698	Balance contributed to PFI reserve (BS note 36)	0.611
13.183	Unitary charge	13.184
(0.010)	Penalties imposed	(0.032)
13.173		13.152

The method of accounting for PFI has changed for 2009/10 and now reflects International Financial Reporting Standard (IFRS) requirements. The property used in the PFI contract is recognised as an asset in the balance sheet together with a related liability. The unitary charge is split into a service element and a construction element, the service element is charged to revenue as it is incurred and the construction element is accounted for as if it were a finance lease.

The unitary payment has been split as follows:

2008/09 £m		2009/10 £m
3.144	Fair value of services	2.298
0.043	Lifecycle replacement	0.219
2.333	Contingent rent	2.585
5.649	Finance lease interest charge	5.456
2.004	Lease redemptions	2.594
13.173	Unitary payment	13.152

7. Borrowing

The Authority's power to borrow is set out in Part 1 of the Local Government Act 2003; together with a duty to determine and keep under review how much it can afford to borrow. Controls on borrowing are contained within the CIPFA Prudential Code for Capital Finance in Local Authorities and, under the provisions of the 2003 Act, the Authority must have regard to the Code when carrying out its duties under the Act.

The key objectives of the Prudential Code are to ensure, within a clear framework, that capital investment plans are affordable, prudent and sustainable. A key prudential indicator is the operational boundary for external debt, which limits the amount of long term debt outstanding. The limit was set at £152.225m for 2009/10 and has not been breached.

Borrowing is managed to ensure a reasonable spread of maturity and to minimise interest payable.

At 31st March 2010 the level of debt outstanding was as follows:-

	Principal £m	Accrued interest £m	Total £m
PWLB	103.401	0.798	104.199
Ex-GMC (pre 1986) debt	13.122	0	13.122
	116.523	0.798	117.321

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This is split into amounts payable in the short term (within one year), amounts payable in the longer term and deferred liabilities as follows:-

	Short term	Long term	Deferred liabilities	Total
	£m	£m	£m	£m
PWLB	5.815	98.384	0	104.199
Ex-GMC (pre 1986) debt	0.759	0	12.363	13.122
	6.574	98.384	12.363	117.321

These amounts are shown as short term and long term borrowing in the Balance Sheet.

The maximum amount of PWLB debt due to mature in any future year is £10.017m. During 2009/10 £24.017m PWLB principal was repaid and new loans of £56.000m were taken.

8. Future Outlook

For the financial year 2010/11 the Authority has approved a Budget Requirement of £588.206m and a Precept level of £144.33 per Band D property. The precept is the only major source of income, other than income earned, under the Authority's control, the other sources being determined by Central Government.

The Authority set its Precept having regard to the local 3-year agreement to increase the Precept by 7.5% per year for each of the years 2008/09 to 2010/11. In return for these increases new initiatives were introduced centred around Neighbourhood Policing. The Budget Requirement set included a savings plan of £13.6m. During the year a more efficient standard policing model will be rolled out and work will also continue to identify efficiencies in back and middle office activities.

The government announced in year budget reductions on 24th May 2010, the effect on the authority is a reduction in revenue grant of £6.8 million and capital grant of £0.5 million. The next Comprehensive Spending Review (CSR) has not yet been announced.

This Statement of Accounts is the last to be produced in accordance with the Accounting Standards Board (ASB) Code of Practice. In future years the Statement will be based on International Financial Reporting Standards (IFRS). The principal issue involved in IFRS implementation are:

- PFI (IFRS requirements are introduced in this Statement of Accounts)
- Leases
- Property, plant and equipment
- Employee benefits
- Presentation and disclosure
- Investment properties
- Intangible assets

9. Capping

Whilst the precept is the only major source of funding not directly controlled by the government, the government has retained the right to limit the maximum annual increase an authority may raise from its local taxpayers. This limit is referred to as capping.

The government announced the following Capping Criteria for 2010/11 after authorities had set their budgets:

- A budget requirement increase of more than 3.5%
and
- A precept increase of more than 4.5%

In a written statement dated 25 March 2010, Barbara Follett, Parliamentary Under Secretary of State at the Department for Communities and Local Government declared that Greater Manchester Police Authority had exceeded these criteria.

The action the Government has decided to take is to cap the Authority in advance for 2011/12. The Government is minded to propose a maximum budget requirement ("a cap") for 2011/12 for the authority at a level which is equivalent to a council tax increase of around 4.5% for each of the financial years 2010/11 and 2011/12.

The statutory process involved is that at this stage the Secretary of State 'nominates' the authority under section 52D of the Local Government Finance Act 1992 ("the Act") and decides whether to 'designate' it in advance for 2011/12 under section 52L of the Act. In due course, the Secretary of State will designate the authority under section 52M of the Act and propose a cap for the authority for 2011/12.

This action means that the authority will **not** need to undertake rebilling in 2010/11.

The authority will not be designated and informed of the proposed cap for 2011/12 until later in the year. This will be at around the same time as the provisional local government finance settlement for 2011/12 is announced. At that point, the authority will have 21 days in which to challenge the proposed 2011/12 cap and raise any specific issues which it feels justify a different capping level. Any challenge will be carefully considered by DCLG before a final decision is taken on the capping level for 2011/12.

If the authority accepts its proposed cap for 2011/12 without challenge, a notice can be issued to the authority confirming its cap. Otherwise, a draft order will be laid for the approval of the House before any 2011/12 cap can take effect. The Authority has indicated that it does intend to challenge the proposed cap.

Since the capping provision referred to above was announced there has been an indication from the Government that Precept levels may be frozen in 2011/12.

10. Sustainability

The Force's Environmental Policy was approved in July 2008 and aims to identify and evaluate environmental impacts and manage continuous improvement of environmental performance. The Assistant Chief Constable Operational Support co-ordinates the strategy.

Progress includes:

- An energy management strategy. This includes the installation of Smart meters across the estate and from them the monthly monitoring of electricity usage, and costs compared to the last two years
- Environmental Design and Specification Guidelines to ensure new buildings and building improvement works minimise their impact on the environment
- A sustainable procurement policy

- A waste and recycling policy that sees our contractor recycling 65% of the waste collected
- During 2009/10 a cycle to work scheme was introduced and 600 employees have joined the scheme
- A target 3% saving on electricity and gas in 2010/11 as part of an overall target of a 12% reduction in consumption by January 2013
- A 10% vehicle fuel consumption reduction in 2010/11
- 2010/11 is the baseline year for the Carbon Reduction Commitment Scheme. Figures recorded will be used to calculate the number of CRC emission allowances at £12 per tonne to be bought.
- All new buildings for the force are being designed to achieve a BREEAM rating of at least very good. The new Bury DHQ will be very good, the new FHQ will be excellent and the new A Division DHQ will be very good but we are attempting to achieve an excellent rating

11. Material assets acquired and liabilities incurred

A summary of capital expenditure for the year is given in paragraph 4d above. No material liabilities have been incurred during the year.

12. Material and unusual charges

The accounts conform with proper practice and contain full and frank disclosures of all material sums. There are no charges or credits that might be considered unusual that would require a specific explanation in this foreword.

13. Changes in statutory functions

There has been no change in statutory functions which might have had an impact on the accounts.

14. Further information

Further information about the accounts is available from:

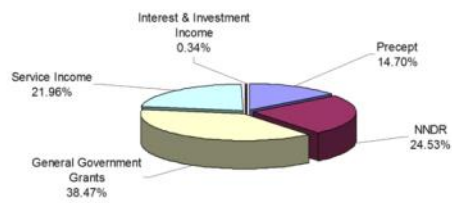
The Treasurer
Greater Manchester Police Authority
Civic Centre
Chorley Road
Swinton M27 5AW
Telephone No. 0161 793 3337

E-mail info@gmpa.gov.uk

In addition, members of the public have a statutory right to inspect the accounts before the audit commences. The availability of the accounts for inspection is advertised in the local press.

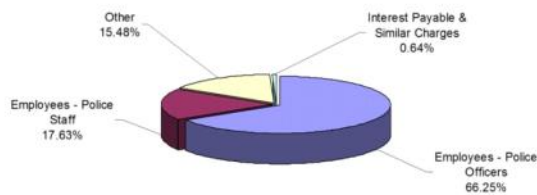
REVENUE AT A GLANCE 2009-2010

WHERE THE MONEY CAME FROM



<u>Income</u>	<u>£000</u>	<u>%</u>
Precept	107,107	14.70%
NNDR	178,706	24.53%
General Government Grants	280,231	38.47%
Service Income & Specific Grants	160,000	21.96%
Interest & Investment Income	2,457	0.34%
Net Income	728,501	
Movement on General Fund	153	0.02%
Total Expenditure	728,654	100.00%

HOW THE MONEY WAS SPENT



<u>Expenditure</u>	<u>£000</u>	<u>%</u>
Employees - Police Officers	482,656	66.25%
Employees - Police Staff	128,491	17.63%
Other	112,813	15.48%
Interest Payable & Similar Charges	4,694	0.64%
Net Operating Expenditure	728,654	100.00%

STATEMENT OF ACCOUNTING POLICIES

1. General

The Statement of Accounts summarises the Authority's transactions for the 2009/10 financial year and its position at the year end of 31st March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice (the SORP), published by CIPFA/LASAAC. The SORP provides guidance on the application of UK Generally Accepted Accounting Practice (UK GAAP) to local authorities. In addition the Best Value Accounting Code of Practice 2008 (BVACOP) applies, as do Statements of Standard Accounting Practice (SSAP's) and Financial Reporting Standards (FRS's) relevant to the Authority.

The accounting convention adopted in these financial statements is historical cost, modified by the revaluation of land and buildings.

2. Fixed Assets

Expenditure on the acquisition, creation or enhancement of tangible assets which provide a benefit to the authority for a period of more than one year is capitalised on an accruals basis, subject to a de minimis level of £20,000. Expenditure on purchased intangible assets (in the case of GMPA these are software licences) is capitalised at cost and written down over the period of the licence. Intangible assets have no residual value and are not revalued.

This de minimis level does not apply to the acquisition of vehicles, which are all capitalised, again on an accruals basis. Expenditure which maintains, but does not add to, the value of an existing asset is charged to revenue.

Assets are initially measured at cost comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. They are then valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Practice and Guidance Notes issued by the Royal Institute of Chartered Surveyors (RICS). They are classified and valued on the following basis: -

- Land, operational properties and non-operational properties which are surplus to requirements are included in the balance sheet at the lower of net current replacement cost and net realisable value
- Vehicles and other operational assets (e.g. plant and equipment) are valued at historic cost and are not normally subject to revaluation
- Purchased intangible assets are valued at historic cost and are not normally subject to revaluation
- Assets under Construction (AUC) are valued at cost
- Furniture is valued at 7.5% of the gross book value of buildings

Net current replacement cost is assessed as:

- Non-specialised operational properties – existing use value
- Specialised operational properties – depreciated replacement cost
- Investment properties and surplus assets – market value

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are

matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

When a fixed asset is acquired it is recognised in the balance sheet at the time it becomes operational at cost. Expenditure on the enhancement of an asset is recognised in the year the works are completed. AUC are recognised as non-operational in the year in which expenditure occurs. General revaluations of fixed assets are planned at five-year intervals. The first revaluation took place on 1st April 1999; with subsequent revaluations on 1st April 2004 and 1st April 2009. Assets may be revalued at any date should circumstances require, e.g., when capital expenditure is incurred. Any changes in the value of fixed assets are recorded in the Fixed Asset Restatement Account to recognise unrealised gains or losses, unless the change is due to an impairment loss caused by a clear consumption of economic benefits, in which case they are recognised in the Income and Expenditure Account.

Revaluation of a fixed asset at the only point of disposal is not permitted. Any gain or loss on disposal will be credited/debited to the Income and Expenditure Account. In order to comply with statutory/proper practices the gain or loss is reversed out of the Income and Expenditure Account and transferred to the Capital Adjustment Account.

3. Depreciation

Depreciation is charged in accordance with the requirements of Financial Reporting Standard (FRS) 15. Depreciation is provided on all assets with a determinable finite life, other than land and investment properties. Assets are depreciated from the date of acquisition to the date of disposal, or if under construction from the date the asset becomes operational. Assets, less residual value, are depreciated on a straight-line basis over their estimated life, 1 to 99 years for land and buildings and 4 to 15 years for vehicles, plant and equipment. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Grants and contributions: where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

4. Impairment

Financial Reporting Standard (FRS) 11, Impairment of Fixed Assets and Goodwill, requires the Authority to consider on an annual basis if there has been a significant decline in a fixed asset's value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the Income and Expenditure Account
- Otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the Income and Expenditure Account.

Where impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

5. Charge to Revenue for Fixed Assets

The Income and Expenditure account is debited with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- Amortisation of intangible fixed assets

The Authority is not required to raise Precept to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal either an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance, or loans fund principal charges). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

6. Asset Disposals and Capital Receipts

Income from the disposal of fixed assets (including intangible assets if appropriate) is accounted for on an accruals basis, subject to a de minimis level of £10,000. When an asset is disposed of it is written out of the Balance Sheet. Any loss or disposal is transferred to the Income and Expenditure Account and then reversed out to the Capital Adjustment Account in the Statement of Movement on the General Fund Balance. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

There is no statutory requirement for Police Authorities to set aside a percentage of their capital receipts. Income is included in the usable capital receipts reserve until it is used to finance capital expenditure or to reduce the Authority's underlying need to borrow (the capital financing requirement).

7. Grants

Police grant and capital grant are paid in the year to which they relate. Other grants are recognised as income at the date that the Authority satisfies the conditions of entitlement and there is a reasonable assurance that the monies will be received. Capital grant is credited to the Government Grants Deferred Account. This balance is then written down to the Income and Expenditure Account to partly offset depreciation charges made.

8. Leases

Finance Leases

The Authority accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Authority. Rentals payable are apportioned between:

- A charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable), and
- A finance charge (debited to Net Operating Expenditure, in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

9. Accruals of income and expenditure

Revenue transactions are accounted for in the year that they occur, not when the cash transaction takes place. In particular:

- Fees and charges due are accounted for as income at the date the Authority provides the relevant services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as assets under construction on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

10. Debtors

Debtors have been brought into the Statements for sums due to the Authority at the end of the financial year. Debtors are mostly included at actual value. There are no major estimates made. Provision has been made for bad and doubtful debts.

11. Current liabilities

Creditors have been brought into the Statements for sums owed by the Authority at the end of the financial year. Creditors are included at actual value.

12. Cost of Support Services

In addition to the police force's own police staff establishment, the services provided by Salford City Council were fully recharged on either a fixed price or actual time basis.

13. Provisions

The Authority has created provisions to meet insurance claims, compensatory grant and injury pension reviews. The insurance provision of £19.646m at 31st March 2010 is the level recommended by the Authority's insurers. The compensatory grant provision of £1.487m at 31st March 2010 is the full amount required, as is the injury pension review provision of £0.300m. Compensatory grant is payable in the April following the balance sheet date in accordance with Regulation 52 of the Police Regulations, 1987. Provisions are charged to the appropriate service revenue account in the year that the Authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account. Details of movements on provisions during the year appear as note 30 to the Balance Sheet.

14. Retirement Benefits

Police officers and police staff are members of two separate pension schemes:

- The Police Pension scheme administered by the Force on behalf of the Authority – this is an unfunded defined benefit final salary scheme, meaning that there are no investment assets built up to meet the pensions liabilities and cash has to be generated to meet actual pensions payments as they eventually fall due.
- The Local Government Pensions Scheme administered by Thameside M.B.C. – this is a funded defined benefit final salary scheme, meaning that the Authority and police staff pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority

New arrangements applied to the Police Pension scheme from 1st April 2006.

- (i) The way that Police Pensions are paid and funded changed from 1st April 2006. The scheme remains unfunded but is no longer on a pay-as-you-go basis with pensions paid direct from the income and expenditure account. Instead both the employer and employees pay pensions contributions based on a percentage of pensionable pay into the new Pension Fund Account. Pensions are then paid out of the Fund Account. The amounts that must be paid into and out of the Pension Fund Account are specified by regulation. Any deficit on the fund is topped up by the Police Authority. Any surplus on the fund is paid to the Police Authority. The Police Authority receives Police Pension Fund top up grant from the Home Office to fund any deficit and pays any surplus to the Home Office. There are now four elements to Police Pensions which are accounted for in the Pension Fund Account.
- The 'old' police pensions scheme open only to police officers in service before 1st April 2006. The employer contribution rate is 24.2% and the employees 11%
 - The 'new' police pensions scheme open to all officers who entered the service on or after 1st April 2006. The employer contribution rate is 24.2% and the employee 9.5%
 - A limited number of new entrants after 1st April 2006 as above but the employee cannot take advantage of the ill-health retirement provisions of the scheme. The employer contribution rate is 24.2% and the employees 6%

- Recharge payments which continue to be made to some pensioners following the re-organisation of local government in 1974.

Injury awards are not part of the Police Pensions Scheme and are funded direct from the Income and Expenditure Account, not from the new Pension Fund Account. However, FRS17 liabilities in respect of injury awards are disclosed in the Statement of Accounts as part of the Authority's overall liability.

- (ii) Police staff are members of the Local Government Pension Scheme, a funded defined benefit scheme, which is managed by Thames Valley M.B.C. The Authority paid an employer's contribution of 14.1% (14.1% in 2009) and the cost of inflation awards (Pensions Increase Act Payments) to pensioners of the Fund.

Under superannuation regulations contribution rates are required to meet 100% of overall liabilities. The contribution rate as determined by the fund's actuary on triennial actuarial valuations - the last completed review being on 31st March 2007 - ensures that the fund can meet its liabilities in full in respect of statutory benefits and inflation proofing of pensions. The next triennial review is due as at 31st March 2010.

- (iii) Financial Reporting Standard (FRS) 17, Retirement Benefits, published in November 2000, has been fully adopted by the Authority. Under the 2008 SORP the Authority has adopted the amendment to FRS 17, Retirement Benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. Comparative figures have not been restated.
- (iv) From 2005 all employers are required to use a discount rate equal to the yield available on long dated high quality corporate bonds when making assumptions about future investment returns. This is 5.5% in 2009/10 (6.9% in 2008/09).

15. Insurance

During 1992/93 the Authority's insurers, Municipal Mutual Insurance, ceased accepting new business. The Authority has a number of outstanding claims with MMI and arrangements are in place to try to ensure an orderly settlement of the sums due. Alternative insurance arrangements are now in place, currently split between premiums paid to commercial insurers and a revenue contribution to cover the balance of claims.

16. Reserves/Accounts

The Authority's Balance Sheet includes revenue and capital reserves and accounts. Cash reserves are set aside for purposes falling outside the definition of provisions. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance Statement so that there is no net charge against Precept for the expenditure. Details of movements during the year appear as notes to the Balance Sheet. The following six reserves are kept to manage the accounting processes for tangible fixed assets, retirement benefits, financial instruments and collection fund adjustments and are not cash amounts:

- Capital Adjustment Account
- Financial Instruments Adjustment Account
- Revaluation Reserve
- Available-for-sale Financial Instruments Adjustment Account

Further details on the above are given in notes 32, 33, 34, 35 and 42 to the Balance Sheet.

17. Redemption of debt

The Authority is required to set aside from its revenue account each year a minimum amount to repay debt, known as the Minimum Revenue Provision (MRP). Interest and debt management expenses are charged to revenue. Amounts are also set aside from revenue to finance capital expenditure. In addition to MRP the Authority also repays each year debt transferred from the former Greater Manchester County (GMC), which is administered by Tameside MBC.

18. Private Finance Initiative (PFI)

PFI contracts are agreements to receive services where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under the scheme and as ownership of the fixed assets will pass to the Authority for nil cost at the end of the contract, the Authority carries the fixed assets used under the contract on its balance sheet valued initially at cost. Once recognised PFI assets are subject to depreciation and revaluation as with any other fixed asset.

The amounts payable to the PFI operator are analysed into five elements and disclosed in note 6 to the Explanatory foreword on page 16.

Government grant received for the PFI scheme, in excess of current levels of expenditure, is carried forward as an earmarked reserve to part fund future contract expenditure.

19. Group accounts

The Authority holds no shares in companies and has no significant interest in other bodies. Group accounts are therefore not required.

20. Stocks and Work in Progress

Stocks and stores are included in the Balance Sheet at average price at 31st March. Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at the lower of cost or net realisable value.

21. Overheads and Support Services

Other than the corporate and democratic core and non-distributed costs, overheads are fully recharged to the activities set out in the Police Services section of the Income and Expenditure Account.

22. Value Added Tax (VAT)

VAT is debited to the revenue account only to the extent that it is irrecoverable.

23. Repurchase of borrowing

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the Income and Expenditure Account in the year of repurchase/settlement.

24. Investments

Investments are carried at cost. If the value of an investment falls below cost, the investment is written down to market value and a provision for the unrealised loss is made in the Income and Expenditure Account if this is unlikely to be a temporary fall.

25. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For all of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement. The Authority uses the new borrowing rate as the discount factor for all its Public Works Loan Board (PWLb) borrowings disclosures. The SORP also allows the premature repayment rate to be used.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

26. Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For all

of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

Available-for-sale Assets

Available-for sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the Statement of Total Recognised Gains and Losses (STRGL).

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

1. The Authority's Responsibilities

The Authority is required: -

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Treasurer.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the statement of accounts

Approval of the Statement of Accounts

In accordance with Regulation 10, paragraph 3(b) of the Accounts and Audit Regulations 2003 (as amended), I certify that the Statement of Accounts was approved by the Statement of Accounts Working Group at its meeting on 28th June 2010 and submitted for audit.

Councillor David Lancaster
Chairman of the Statement of Accounts
Working Group and Chairman of the Audit
and Inspection Committee

Dated: 28th June 2010

Approval of the Statement of Accounts

I certify that the Statement of Accounts, incorporating changes arising from the external audit of the accounts, was approved by the Governance Sub Committee on 17th September 2010

Councillor David Lancaster
Chairman of the Governance Sub Committee
and Chairman of the Audit and Inspection
Committee

Dated: 17th September 2010

2. The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP).

In preparing the statement of accounts, the Treasurer has: -

- selected suitable accounting policies and then applied them consistently.
- made adjustments and estimates that were reasonable and prudent.
- complied with the Code of Practice

The Treasurer has also:-

- kept proper accounting records which were up to date.
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Greater Manchester Police Authority at 31st March 2010, and its income and expenditure for the year ended 31st March 2010.

A. Westwood, C.P.F.A.
Treasurer to the Police Authority

Dated: 21st June 2010

Revised: 17th September 2010

Joint Annual Governance Statement 2009/10

1. Scope of responsibilities

- 1.1 Greater Manchester Police Authority's (GMPA) primary responsibilities are to secure an efficient and effective policing service for everyone in the Greater Manchester Police (GMP) area and to hold the Chief Constable to account for the exercise of his functions and those of persons under his control. In so doing it ensures that its business (which for this purpose includes the direct activity of the Authority itself as well as all the functions of GMP) is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.
- 1.2 The Chief Constable of GMP is responsible for the direction and control of GMP and in discharging his function shall have regard to the local policing plan issued by the Authority. The Chief Constable is responsible for ensuring GMP's business is conducted in accordance with the law and proper standards and that public money is safeguarded.
- 1.3 In discharging their overall responsibilities, the Authority and Chief Constable are responsible for establishing and maintaining appropriate risk management processes, governance arrangements and ensuring that there is a sound system of internal control which facilitates the effective exercise of their functions.
- 1.4 This statement has been prepared for the 2009/10 financial year to state the Authority's and GMP's current governance arrangements, to report on their effectiveness during the year and to outline future actions planned to further enhance the arrangements.
- 1.5 Statements of Assurance underpin this Joint Annual Governance Statement and they have been signed by the Monitoring Officer, the Section 112 and 114 Officer (Treasurer) and the GMP Deputy Chief Constable and are attached as Annexes to this document.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, and culture and values by which the Authority is directed and controlled and its activities through which it accounts to and engages with the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.3 The system of internal control is based on an ongoing process designed to identify the risks and to manage them effectively, efficiently and economically to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised. The Authority aims to provide a reasonable assurance of the effectiveness of the control systems GMP employs on its behalf.

- 2.4 The detailed controls outlined below represent those in place at 31 March 2010 and up to the date of approval of the Strategic Plan and Statement of Accounts and, subject to comments at section 6 concerning areas for improvement, accord with proper practice.

3. The Governance Framework

- 3.1 Although the Chief Constable is responsible for operational policing matters, the direction and control of police personnel and for putting in place proper arrangements for the governance of GMP, the Authority is required to hold him to account for the exercise of those functions and those of the persons under his direction and control. It therefore follows that the Authority must satisfy itself that GMP has appropriate mechanisms in place for the maintenance of good governance, and that these operate in practice.
- 3.2 This statement is informed by assurances on the six principles of the Authority's Code of Corporate Governance and by audit and inspection opinions.
- Focusing on the purpose of the Authority, on the outcomes for the community and creating and implementing a vision for the local area.
 - Engaging with local communities and other stakeholders to ensure robust public accountability.
 - Having clear responsibilities and arrangements for accountability.
 - Taking informed and transparent decisions that are subject to effective scrutiny and risk management.
 - Good governance, conduct and behaviour.
 - Developing the capacity and capability of Members and Officers to be effective.
- 3.3 focusing on the purpose of the authority, on outcomes for the community and creating and implementing a vision for the local area**
- 3.3.1 GMP's vision is to be the most effective Police Force in the UK and its mission is putting people first in everything we do, working with and for the people of Greater Manchester to make communities safe and feel safer and finally to be proud of delivering an excellent service, achievable through GMP Strategic Aims, as follows:
- The people of Greater Manchester are safer because of the effective citizen focused services we deliver to protect them; ranging from tackling anti-social behaviour through to serious and organised crime, and terrorism.
 - The people of Greater Manchester feel safer as a result of our approach to partnerships and policing based on local neighbourhoods.
 - Because they feel safe and are safer, people have greater aspiration for their local community and Greater Manchester. They will participate with us in policing and partnership work to further improve their communities.
 - Officers, staff and volunteers in GMP feel well led, valued and are skilled and motivated to provide high quality services.
 - Greater Manchester Police deliver effective, efficient and economical services.
- 3.3.2 GMFA as an Authority for Effective Policing aims to support the Chief Constable to deliver GMP's vision in a way that provides best value to people and sees GMP continuously improving its service provision.

- 3.3.3 The Police Authority is required to publish a three-year Local Policing Plan, which is refreshed annually and sets out its local policing priorities and the resourcing of those priorities. The Local Policing Plan is produced jointly with GMP taking into consideration any objectives set by the Government, the views of the public and the plans of other relevant bodies, such as the Community Safety Partnerships (CSPs) and the Local Criminal Justice Board. The current published plan covers the period 2008 to 2011.
- 3.3.4 The feedback from community engagement and consultation activities is captured for the formalised planning process as well as providing local operational officers with more immediate information on local issues.
- 3.3.5 The application of the National Intelligence Model underpins the planning process as priorities are identified, monitored and, where appropriate, amended via GMP's Control Strategy.
- 3.3.6 In determining its local policing plan, both the Authority and GMP need to identify and take into account those issues and factors which will substantially affect its plans.
- 3.3.7 GMP has a number of key control strategies that cut across the key business areas of the organisation. These strategies, which include, HR, Training, Estates and ICT are approved and endorsed by the Police Authority. The Police Authority also publishes its Strategic Plan which is supported by section business plans. The Strategic Plan is based on the following four themes:

INFLUENCING AND COLLABORATING

- Working together with partners to build safer and stronger communities in Greater Manchester

PUBLIC LEADERSHIP AND GOVERNANCE

- Delivering efficient, effective and excellent policing services

INVOLVING PEOPLE

- Improving public involvement in policing and community safety issues

RESOURCES, SKILLS AND ABILITIES

- Strengthening the capacity and capability of the Authority to meet future challenges

- 3.3.8 As part of the strategic planning process key strategies and action plans have been published including, Good Governance, Communications, Partnerships, Risk Management and Learning and Development. A Joint Involvement Strategy has been developed with GMP and other partners at an Association of Greater Manchester Authorities (AGMA) level.

3.4 Engaging with Local People and other Stakeholders to Ensure Robust Public Accountability

- 3.4.1 The Police Authority has a statutory duty to consult with the public in relation to policing issues. GMP also has a fundamental need to engage with local communities on policing issues.
- 3.4.2 The Authority and GMP achieve this through a variety of formal and informal mechanisms, such as: the use of surveys; commissioning specific research and consultative events; public interaction through public consultation and engagement activities and Police and Communities Together Meetings; the Authority's Strategic Independent Advisory Groups

(IAGs) and GMPs IAG network; regular dialogue with partner agencies; and consultation with the Business Community.

- 3.4.3 The Authority has developed strategies for involvement and communication that are designed to ensure effective engagement with all sections of the community and stakeholders. These strategies also aim to promote visible awareness and create a positive, informed and recognisable profile for the Authority.
- 3.4.4 The GMP strategic change portfolio, 'Putting People First', incorporates improving public confidence as a key element of the Neighbourhoods programme, through engaging with local people to develop solutions to the issues that undermine confidence and general feelings of insecurity and through further developments about engaging with volunteers. Dedicated Community Beat Managers are deployed to deliver visible community policing services, as are all members of the extended police family including Special Constabulary, Police Community Support Officers, volunteers, other accredited organisations, Neighbourhood Watch and partner agencies.
- 3.4.5 The Joint Involvement Strategy contains details of the type of information we need to receive from the public in order to shape our services. GMP and the Police Authority are working with partners through the AGMA Public Protection Commission to develop this and assist in reducing consultation duplication across the City Region.

3.5 Having Clear Responsibilities and Arrangements for Accountability

- 3.5.1 The Authority has clearly outlined who is responsible for the discharge of its responsibilities within its Constitutional and Procedural Standing Orders, Scheme of Delegation, Contractual Standing Orders and Financial Regulations and has:

- Appointed a Chair and Vice-Chair of the Police Authority;
- A structure of Committees appointed to discharge its responsibilities and to hold the Chief Constable to account;
- Appointed Members to special interest or lead roles;
- Provided Members with role descriptions;
- Provided Officers with job descriptions clearly defining their roles;
- An agreed Scheme of Delegation to the Chief Executive, Treasurer, Chief Constable and Monitoring Officer. These management delegation arrangements are further devolved to named individuals within GMP.

- 3.5.2 The Authority has its relevant statutory officers in place:

Chief Executive

The Police Authority's Chief Executive acts under Section 16 of the Police Act 1996 and Proper Officer under section 270(3) of the Local Government Act 1972. However, through the Authority's Scheme of Delegation, the Chief Executive's day to day responsibilities are discharged through the Executive Director.

Monitoring Officer

The Authority has appointed a Monitoring Officer under section 5 of the Local Government and Housing Act 1989. The Monitoring Officer has a statutory duty to highlight any proposals, decisions or omissions by the Authority which constitute, have given rise to, or are likely to give rise to either a breach of the law, a breach of a statutory code, or which constitute maladministration or injustice.

Treasurer to the Police Authority/Assistant Chief Officer Resources

The Treasurer is the Authority's professional advisor on financial matters. The statutory responsibilities of the Treasurer to the Police Authority are set out in various Acts, including sections 112 and 114 of the Local Government Finance Act 1988.

In exercising this responsibility the Authority places reliance on the Chief Officer of GMP to support the governance and risk management processes. It should be noted that the Assistant Chief Officer for Resources is responsible to the Chief Constable for all financial activities within GMP and is a key member of the Chief Officers' Force Leadership Team.

3.6 Taking Informed and Transparent Decisions which are Subject to Effective Scrutiny and Risk Management

3.6.1 The Police Authority conducts its business based around a committee structure and a scheme of delegated powers. Within this framework the Authority has formal and informal mechanisms for the monitoring and scrutiny of the performance of GMP.

3.6.2 The Authority's governance arrangements should ensure that:

- Key decisions taken by the Authority and its Committees are taken in public meetings.
- Information relating to those decisions is made available to the public (except where that information is exempt under the provision of Access to Information rules).
- Rules and procedures governing how decisions are made are in place.
- Appropriate legal, financial, human resources and other professional advice is considered as part of the decision making process.

3.6.3 The Chief Officer Group (COG) is the executive board, which makes the strategic decisions for the Force. The key purpose of the COG is to develop and maintain the vision, mission and values of the Force, set corporate milestones for bringing the vision to life through the journey, agree strategies and programmes to achieve the vision, agree plans to deliver targets within the vision, receive reports to monitor progress against targets, to consider threat and opportunity reports and to evaluate and reaffirm strategic direction following consideration.

3.6.4 The Strategic Assessment is utilised by GMP Strategic Tasking and Coordination Group, chaired by the Deputy Chief Constable, to assist in the setting of the GMP Control Strategy. Priorities identified via the Strategic Assessment are fed into the process to determine priorities within the Annual Policing Plan.

3.6.5 The Putting People First Change Portfolio is about improving performance by meeting the needs of our people and the communities we police. The drivers for the change portfolio are a need to improve policing services to Greater Manchester and a need to become more efficient in how the force organises itself internally.

3.6.6 The first tranche was initiated from the strategic planning process in Oct 2007 and refreshed in October 2009 taking influence from the new vision and journey. A new operating model, performance history, staff consultation, confidence agenda, strategy for improvement (Citizen focus) and a research paper on the design of a new Policing Model all provided input to the design of the strategic change programmes which are currently being implemented.

3.6.7 The portfolio includes eight strategic change programmes with key areas of work that will drive forward sustained improvements in GMP's capability and capacity to meet the challenges of the future and deliver an even better service to the people of Greater Manchester. The programmes for the new policing model delivery are:

- Neighbourhoods – to enable the delivery of more effective neighbourhood policing in our communities.
- The Hub – to enable effective tasking and co-ordination of local divisional resources, live time management of intelligence and identification of threat and harm.
- Investigation - to have efficient and effective investigative procedures and well skilled staff.
- Custody – to ensure offenders are brought to justice and reduce the risk of harm to our communities.
- Response and call handling – to effectively deploy the most appropriate resource to demand whilst improving the quality and consistency of customer service.

3.6.8 The remaining three programmes are:

- Professionalising Performance – to develop our culture, governance, capability and systems to drive improved performance
- Optimus – to align our resources with Force priorities and in doing so identify savings without having an adverse impact on service delivery.
- Shared Services – to deliver HR and finance support services in a more effective way.

3.6.9 GMP's Performance Improvement and Review Section within the Corporate Development and Performance Branch help to develop and provide guidance on planning in support of the Authority's and GMP objectives; to monitor, analyse and advise on performance; to identify good and bad performance; and to generate performance improvements through a balanced performance approach.

3.6.10 The Authority and GMP work to identify areas of risk and assess the likely impact and seek to eliminate or reduce the consequences of those risks. GMP has a risk management framework to deal with strategic risks that focuses on risks to GMP in delivering and achieving its aims and policing priorities. The process ensures that risks feed into GMP strategic planning model and includes strategic risks being considered by the Command Team in their development of GMP strategic aims, corporate priorities and strategic change programmes.

3.6.11 Risk Management is a continuing development area for GMPA, which was also highlighted during the police authority inspection. Risk issues are generally presented to the Police Authority through various committee reports, reports to Strategy and Resources Group, the numerous liaison meetings with GMP and through the sharing of GMP's Strategic Assessment. However GMP reports a Corporate Risk Register Update to the Authority's Audit and Inspection Committee, which the Authority then adopts as its own Strategic Risk Register. GMPA has its own Risk Management Strategy and Action plan which is reported through Audit and Inspection Committee.

3.7 Good Governance, Conduct and Behaviour

3.7.1 The Authority has a Code of Conduct for Police Authority Members, which includes the statutory provisions contained in the model code of conduct.

- 3.7.2 Police Officers, Police Staff and the Police Authority Officers are all subject to policies and procedures covering discipline, grievance, standards of conduct and professional behaviour.
- 3.7.3 The Complaints and Professional Standards Committee is established to oversee and scrutinise GMP's complaints process and operation of the Professional Standards Branch.
- 3.7.4 The Audit and Inspection Committee is established to oversee the operation, and implementation of recommendations, of the internal and external audit providers and to review the progress and implications resulting from inspections of the Authority and GMP.
- 3.7.5 The Authority and GMP have agreed an anti-fraud and corruption policy and have whistle-blowing arrangements in place together with a formal protocol between the two parties on the reporting and investigation of irregularities. The Authority and GMP also participate in the Audit Commission's National Fraud Initiative.
- 3.7.6 GMP's Professional Standards Branch is responsible for recording and investigating complaints from members of the public, and also deals with allegations made by members of GMP itself. The Vetting Unit is also contained within this branch and looks at checking that the integrity of people is of the required standard who are accepted to work within GMP, and the Authority where appropriate.
- 3.7.7 The Professional Standards Branch uses the information gained from investigations to improve the service given to the public. Professional Standards officers work closely with Divisional and Branch Commanders in providing them with a range of information, including trend analysis, number and types of complaints recorded and the lessons learned from complaints, misconduct and civil claims enquiries. GMP strives to ensure consistency of outcome is achieved in relation to both Police Staff and Police Officer misconduct and complaint investigations, with the emphasis placed upon learning and development for both the individual and the organisation.
- 3.7.8 Meetings are held biannually between Internal Audit and GMP's Professional Standards Branch to ensure effective liaison on any irregularities/investigations/issues of misconduct.
- 3.7.9 All members of GMP are encouraged to tackle unacceptable behaviour by reporting wrongdoing directly to their supervisors, managers or by leaving details through a confidential reporting telephone line. GMP has procedures and initiatives in place, such as "Do The Right Thing" to encourage all staff to bring unprofessional conduct to the attention of an appropriate officer.

3.8 Developing the Capacity and Capability of Members and Officers to be Effective

- 3.8.1 The GMP Annual Learning and Development Delivery Plan sets out GMP's people priorities in respect of service delivery and commitment to continuous improvement and is clearly linked to supporting GMP priorities.
- 3.8.2 All Police Authority Members are given the opportunity, through six monthly reviews with officers and an annual review process with the Chair and Vice Chair, to identify development opportunities and areas of business where they wish to concentrate. The Authority holds a North West Employers' Organisation Chartermark award for Member

Development and has an Organisational Development Group, which explores learning and development issues for the Authority.

- 3.8.3 The mandatory system of Performance Appraisals for all members of staff within GMP provides for the cascading of, and targeting of, priorities which appear within local divisional and branch plans. The Authority has a mandatory appraisal system and monthly one to ones with line managers and staff in order to set objectives and manage service delivery.

3.9 Reliability of Financial Reporting and Internal Financial Controls.

- 3.9.1 Financial control involves the existence of a control structure which ensures that all resources are used as efficiently and effectively as possible to attain the Authority's overall objectives and targets. Internal financial control systems are in place to minimise the risk of loss, unlawful expenditure or poor value for money, and to maximise the use of the Authority's assets and limited resources.
- 3.9.2 The Authority's and GMP's financial management framework follows national and/or professional best practice and its key elements are set out below:
- Financial Regulations establish the principles of financial control. They are designed to ensure that the Authority conducts its financial affairs in a way which complies with statutory provision and reflects best professional practice. Contractual Standing Orders set out the rules to be followed in respect of contracts for the supply of goods and services.
 - The Authority's Scheme of delegated financial management is designed to ensure that responsibility and accountability for resources rest with local financial managers who are responsible for service provision.
 - The Police Authority has adopted the CIPFA Code of Practice on Treasury Management requiring the Authority to approve an annual treasury management strategy including an annual investment strategy. The Authority has adopted a prudent approach to its investments and unlike many authorities it was not affected by the Icelandic banking collapse
 - GMP's three year financial planning is conducted under the Strategic Financial Outlook (SFO). This 'affordability' exercise aims to determine the financial requirements over the medium term at a strategic level and is reviewed and revised every year.
 - The Strategic Financial Outlook includes full provision for inflation, known commitments and other expenditure items which the Chief Constable has identified as necessary to deliver both national and local policing priorities.
 - The revenue budget provides an estimate of the annual income and expenditure requirements for the police service and sets out the financial implications of the Authority's policies. It provides Chief Officers with authority to incur expenditure and a basis on which to monitor the financial performance of the Authority. The effectiveness of the monitoring and control of budgets is demonstrated by the revenue outturn being within £153,000 of the budget (0.027 %)

- The Authority is required to set its budget and levy a Precept by the end of February prior to the start of the relevant financial year. The Authority has a three year agreement on precept increases with AGMA which ends in 2010/11. This agreement is linked to service improvements.
- Capital expenditure is an important element in the development of the Authority's services since it represents major investment in new and improved assets. The Authority approves a capital programme each year
- Efficiency targets were set by the Police Authority for the period 2008-11 of 10.3% of the 2007/08 Gross Revenue Expenditure. GMP are on plan for achieving this target.

4. Review of Effectiveness

- 4.1 The Authority has responsibility for conducting a review of the effectiveness of the governance framework, including:
- The system of internal audit
 - The system of internal control.
- 4.2 The Audit and Inspection Committee reviews the effectiveness of the system of internal audit. Regular monitoring reports and an annual report are received from the Head of Internal Audit. The work of the Internal Audit team is of a high standard and this is reflected in the fact that the External Audit team are happy to place reliance on the Internal team's work.
- 4.3 The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Authority and GMP who have responsibility for the development and maintenance of the internal control environment. A Joint Audit, Inspection and Collaboration Group has been established which is attended by GMP and the Authority, Internal Auditors, HMIC and the Audit Commission. This group, chaired by the Deputy Chief Constable enables the collaboration and coordination of review and inspection by the sharing of information and liaison over the timing and content of reviews to reduce the bureaucratic and time burden on front line commanders.
- 4.4 GMP reviews the effectiveness of systems of internal control through internal and external audit and inspection reports, National Policing Improvement Agency Capability Support, policy review, the work of the Joint Audit, Inspection and Collaboration Group, the National Intelligence Model and Performance Management Framework which includes Self Evaluation through robust arrangements for performance management and review throughout divisions and departments.
- 4.5 Audit and Inspection recommendations arising from all the audit and inspection activities below are reported to the appropriate Committees of the Authority and appropriate action is put in place to address recommendations arising from these reports.
- 4.6 The Authority's Code of Corporate Governance is reviewed as part of the Annual Governance Statement process and progress against each of the actions is reported under the six principles of good governance.

4.7 Her Majesty's Inspector of Constabulary (HMIC)

- 4.7.1 The operations of the Police Authority and GMP are periodically inspected by Her Majesty's Inspector of Constabulary, most notably in the Police Report Card, which has areas of challenge and improvement. The other main HMIC Inspection has been on the Policing Pledge.

4.8 Internal Audit

- 4.8.1 Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment by evaluating its effectiveness in achieving the organisation's objectives. It works to a code of practice and prepares a plan of activities that is submitted to Members of Audit and Inspection Committee for approval. It examines, evaluates and reports on the adequacy of systems of internal control as a contribution to the proper, economic, efficient and effective use of resources.

- 4.8.2 Although the responsibility for maintaining and reviewing the systems of internal control rests with the Authority, it takes significant assurance from the work of internal audit. In fulfilling this responsibility each year it receives an Annual Report on the overall adequacy and effectiveness of GMPA and GMP's internal control environment, which provides any details of weaknesses particularly relevant to the preparation of the Annual Governance Statement. In 2009/10 the report concluded that systems of internal control were considered to be good.

4.9 External Audit

- 4.9.1 The external auditor's annual audit letter for 2008/09 reported that an unqualified opinion had been given on the Authority's accounts for the year and recorded that they had not identified any significant weaknesses in the overall control framework.

4.10 Use of Resources Evaluation (UoR)

- 4.10.1 As part of the statutory audit, the Audit Commission produced an annual Use of Resources Evaluation (UoR) for GMP and the Authority. HMIC relies on this judgement and incorporates it into its inspection activity, including Police Authority Inspection. The Audit Commission UoR inspection regime will cease from 2010/11.

- 4.10.2 For the Use of Resources Inspection, GMPA and GMP received an overall score of 2 in 2008/09. Following the change of Government no scores will be awarded in 2009/10.

4.11 Police Authority Inspection

- 4.11.1 In 2009 GMPA was subject to a Police Authority Inspection by joint inspectorates, HMIC and the Audit Commission. The Authority was in the first tranche of the newly created inspection regime and received a score of 2, which is categorised overall as "Performing Adequately". The breakdown of scores is as follows:

Setting Strategic direction and Priorities: 2 - Performing Adequately
Performance Scrutiny: 1- Poor

4.11.2 The Inspection Report identified areas for improvement which the Authority has now put into a GMPA Business Learning and Improvement Action Plan.

5. Progress against each of the Authority's six principles of good governance in 2009/10

5.1 As part of the review of effectiveness, progress has been evaluated against the Authority's six principles of Good Governance as follows:

5.2 focusing on the purpose of the Authority, on the outcomes for the community and creating and implementing a vision for the local area

5.2.1 The Authority receives and scrutinises a comprehensive report on GMP performance each quarter. This includes information on the quality of service received by customers. Separate in-depth reports on user satisfaction and public views are submitted regularly to the Citizen Focus and Communications Committee.

5.2.2 Monthly performance meetings are held with a group of Members including the Authority Chair and Vice Chair and the Chief Constable. Scrutiny Committee considers a variety of performance issues and each quarter Divisional performance scrutiny takes place. Officers of the Authority have access to Counterpoint (GMP's performance management system) the Home Office Performance Management system – iQuanta, and receive copies of the detailed monthly performance bulletin produced by GMP. The Authority's Strategic Independent Advisory Groups also provide a sounding board for GMP.

5.2.3 The Authority has increased its involvement in the annual review of the Policing Plan through greater Member engagement during 2009/10 and has set five clear future priorities for 2010/11 these being:

- Increase Public Satisfaction
- Tackle Anti-Social Behaviour
- Reduce Domestic Burglary
- Reduce Vehicle Crime
- Protect Vulnerable People

5.2.4 The Authority has overseen the development of the GMP Strategic Change Programme through Member Away Days, reports to individual and joint meetings of Human Resources Committee and Finance, Assets, and Technology Resources Committee, reality check visits and reports from the Chief Constable to full Police Authority meetings.

5.2.5 GMPA Code of Corporate Governance Actions

5.2.6 The Authority has reviewed and updated the Three Year Strategic Plan which was delayed due to the Police Authority Inspection process as the improvements identified during the inspection needed to be taken account of. As a part of this review process a Business Learning and Improvement Plan has been developed.

5.2.7 The Authority Published its Partnership Strategy in August 2009. This strategy has an action plan which will be reviewed on an annual basis. Following the publication of the strategy the Authority held a partnership event with community safety stakeholders to

explore the complex partnership landscape within Greater Manchester and to highlight examples of best practice.

- 5.2.8 The main task and finish project for the Authority during 2009/10 was the Scrutiny of Major Events. In addition, a Project on Missing from Home was established under the Vulnerable People Working Group.

5.3 Engaging With Communities and Other Stakeholders to Ensure Robust Public Accountability

- 5.3.1 GMP's Strategic Change Programme "Putting People First" incorporates improving public confidence as a key element of the Neighbourhoods Programme. In a HMIC Inspection, GMP were found to be "meeting the standards" required to develop citizen focussed policing.
- 5.3.2 GMP conducts a local neighbourhood survey that incorporates questions on confidence, views on neighbourhood policing and local priorities. The survey was previously undertaken as a postal questionnaire; however, the methodology was changed from October 2009 to a face to face survey conducted by police community support officers. The change in methodology is part of the force's commitment to community engagement and has also assisted in raising the visibility of neighbourhood policing teams within the community. Over 7,200 surveys are conducted across the force every quarter with a random sample of households.
- 5.3.3 Public satisfaction with services is assessed through 8,000 user satisfaction surveys each year with victims of burglary, violent crime, vehicle crime, people involved in road traffic collisions and people who report a racist incident. In addition, customer call backs are made to assess satisfaction with the initial service provided by call handlers within the Operational Communications Branch. GMP is currently rolling out customer service desks across the force - in addition to providing the victim with further information and updates about their crime and the actions being taken, the service desks also seek feedback on the service received and whether anything could have been done better.
- 5.3.3 The Police Authority and GMP regularly commission specific research including surveys, focus groups, face to face interviews and on-street surveys. In addition, specific consultative events have been undertaken (for example Neighbourhood Policing Teams are visiting homes in order to boost confidence as part of Operation Street A-Week.)
- 5.3.4 Some of the key means through which the Authority undertakes engagement with communities include the following:
- Annual events for young people such as the You Choose events.
 - With GMP, the Authority makes use of consultation findings from the Greater Manchester Citizens' Panel (RSVP – Regularly Seeking Views on Policing) to help inform decision-making and shape future work. The Panel, which is made up of 3500 residents, is surveyed three times per year on key issues such as policing priorities, counter terrorism, anti-social behaviour, experience of crime and concern about crime etc.
 - A major engagement project focusing on counter terrorism has been delivered. This multi-agency work has the support of the Association of Greater Manchester Authorities (AGMA) and involved a variety of engagement activities including a Greater Manchester wide conference, focus groups with various key community groups and the development of teaching/education materials.

- The Authority received an award from the Association of Police Authorities for its knife crime consultation project.

5.3.5 In addition, the Authority has recruited members of the public to form four strategic Independent Advisory Groups (IAGs). These Groups have experience, knowledge and expertise in four different areas: -

- Lesbian, Gay, Bi-sexual and Transgender
- Race
- Disability
- Young People

5.3.6 GMP and the Authority participate and engage in a wide range of both statutory and voluntary partnerships, which cross cut policing at all levels. For example, the Authority has had a lead role in the development of the AGMA Public Protection Commission and the Chair of GMPA is currently the Chair of the Commission and the Chief Constable is the Lead Officer. The Authority receives partnership funding for the Knock Knock project which delivers a partnership programme to deal with bogus callers and vulnerable people across Greater Manchester.

5.3.7 **GMPA Code of Corporate Governance Actions**

5.3.8 GMPA produces a monthly alert which is circulated across the Authority and highlights emerging areas of interest and any required actions. The Authority started producing a Chairs briefing/newsletter in 2009/10 which detailed key Authority activity and progress and is issued to stakeholders and partners. The GMPA website has been updated and now contains more details of partnership information including direct links to partners and GMP. A partnership feedback newsletter was also published following the GMPA partnership event in 2009. In the Police Authority Inspection report, the GMPA brand was recognised as having a strong profile across the partnerships.

5.3.9 The GMPA/GMP Joint Involvement Strategy has been adopted by the Public Protection Commission Confidence Group in order to strengthen and develop the strategy across other community safety partners.

5.4 **Having clear responsibilities and arrangements for accountability**

5.4.1 Whilst the Chief Executive is the Head of the Paid Service, the Executive Director is responsible for the day to day operation of the Authority's staff. In total there are 34 full time members of staff, together with other staff who provide a service through a Service Level Agreement with Salford City Council, covering the functions of Audit, Financial Services, Human Resources, Legal, and Estates/Planning. The GMPA secretariat consists of Executive Services, Governance and Policy, Scrutiny and Engagement.

5.4.2 The Executive Director has conducted a range of interviews with budget /service heads in order to establish anticipated priorities and costs for 2010-11, linked to the Strategic Plan.

5.4.3 The Authority has appointed Lead Members and specific Member roles and responsibilities have been agreed with each individual Lead Member and this covers not just their role, responsibilities and work areas, but also the type and level of support which they can expect from staff.

5.4.4 To ensure GMP is truly citizen focused and provide a quality service, the "Putting People First" programme has been developed. Each Chief Officer has a number of strategic programmes aligned to them for delivery as part of this initiative. The Putting People First change portfolio has governance in terms of reporting, methodology and standards and clear roles and responsibilities to ensure people are held to account against accurate management information. The approach to programme management includes integration with existing financial management processes to ensure the benefits are incorporated into the Strategic Financial Outlook and annual budgets.

5.4.5 GMPA Code of Corporate Governance Actions

5.4.6 A Member Role Description was developed and circulated to Members as part of the Member one to one development process. In addition, at these biannual one to ones, Members are presented with the Every Member Matters Charter, the Nolan Principles of Public Life and a summary of the Code of Conduct. Each Lead Member who is not a chair of a committee has had a specific role description and summary of officer support provision. A Member and Officer Protocol was updated and published in August 2009

5.4.7 The GMPA Standing Orders and Financial Regulations were reviewed prior to the June 2009 AGM and will again be reviewed for agreement at the June 2010 Annual General Meeting.

5.4.8 The GMPA Democratic Services Section has developed a governance awareness package based on guidance by the LGC. An Annual Newsletter was produced in November 2009 which details all Members, staff and sections in GMPA. The newsletter was published and distributed and a copy is on the GMPA website.

5.5 Taking informed and transparent decisions that are subject to effective scrutiny and risk management

5.5.1 The Authority's Audit and Inspection Committee and the full Authority have responsibility for the development and implementation of the Authority's and GMP's risk management processes. A Risk Management Group has been established which comprises of the Chair and Vice chair of the Authority and the Chair and Vice Chair of Audit and Inspection Committee with the remit to oversee strategic risk management development and alignment with GMP on a quarterly basis. This group has met to consider GMPA Risk Management development and in 2010/11 the group will include the Deputy Chief Constable and the Head of Internal Audit. Members have had training on risk management and during 2009/10 they have had involvement with the identification and monitoring of Authority and GMP's risk, through the published Risk Management Strategy.

5.5.2 The publishing of Authority agendas and minutes on the website (www.gmpa.gov.uk) has made access to information regarding the Authority's decision making more accessible and publishing information in this way is also more efficient.

5.5.3 Press releases are circulated after signification decisions have been taken in order to give the public the maximum access to information. These are also published on the website.

5.5.4 GMPA Code of Corporate Governance Actions

5.5.5 A mini review was undertaken against the objective of increasing transparency and openness and the GMPA Complaints Procedure was updated and published on the website. In addition the GMPA Strategic Support Officers were given responsibility for

minute taking and the approach to minute taking was altered to produce fuller minutes. A separate Information Management Project was established to explore the use of information technology in GMPA which has involved the trialling of Blackberry Technology.

- 5.5.6 A Risk Management Strategy and Action Plan was published in August 2009. This strategy was supplemented by a risk alignment report to the Audit and Inspection Committee in March 2010 which adopted the GMP Corporate Risk Register as the Authority's Strategic Risk Register. GMP reports a version of the GMP Corporate Risk Register to Audit and Inspection Committee once a quarter.
- 5.5.7 There are work-plans and a briefing system in place for all committees and each committee has undertaken a self-assessment to determine their effectiveness. In 2009 an action plan resulting from the self-assessments was implemented which included: committee inductions for Members newly appointed to a committee and a presentation on the Terms of Reference and the committee work-plans at the start of each committee cycle.

5.6 Good Governance Conduct and Behaviour

- 5.6.1 The Code of Conduct which is currently being revised nationally, guides Members' behaviour in the conduct of the Authority's business and promotes high standards of ethical behaviour. All Members have been interviewed and trained individually about the Code to ensure that they are aware of it and understand the implications. In 2009/10, no Member of the Police Authority was found to have breached the Code of Conduct.
- 5.6.2 GMP Professional Standards Branch provides clear guidance on what GMP expects from all staff and in particular, those in a leadership position. It includes a consistent message around GMP's ambition and outlines values of honesty, integrity, fairness, politeness and openness. For GMP the development, communication and embedding of these standards for both Police Officers and Police Staff is part of the core business of this branch. The Professional Standards Branch is engaged in an ongoing programme across GMP to communicate these standards and provide input for training to ensure that "Professional Standards" runs, like a golden thread, through all training courses.
- 5.6.3 **GMPA Code of Corporate Governance Actions**
- 5.6.4 GMPA/GMP Joint Officer Group meetings have been established and take place on a monthly basis. The Deputy Chief Constable and GMPA Executive Director have been in attendance at all of the meetings during 2009/10.
- 5.6.5 The Authority's Business Plans have been updated on a quarterly basis and supplied to the Strategy and Resources Group biannually.
- 5.6.6 Ethical standards are reinforced at all Member one to one meetings and Members sign a commitment to understanding and promoting ethical standards. Member attendance is reported to both Audit and Inspection Committee and to the Standards Committee. The Standards Committee has been developed during 2009/10 to ensure that it is fit for purpose and the Committee was consulted as part of the development of the Good Governance Strategy.
- 5.6.7 GMPA ensures that a public interest test questionnaire is completed by any party wishing to submit a report in the restricted part of the agenda (Part II) and the Authority has rejected these requests when the test has not been passed.

5.6.8 The Audit Commission conducted a Member survey on Good Governance at the request of GMPA, to evaluate effectiveness of governance and identify areas for improvement. The findings were reported to the Authority's Organisational Development Group.

5.7 Developing the Capacity and Capability of Members and Officers to be Effective

5.7.1 The Authority has invested in a management development plan for its Strategic Managers. Development plans for staff are managed through appraisals, one to ones and team development days.

5.7.2 The Authority operates an Induction Scheme for Members and staff and a buddying scheme for new Members. Staff and Member development is monitored and evaluated through the Organisational Development Group which meets on a quarterly basis.

5.7.3 GMPA Code of Corporate Governance Actions

5.7.4 A Member Development Plan was submitted to the Organisational Development Group which was based on a survey of Members. Each Member has a Personal Development Plan which is updated as part of the Member one to one process.

5.7.5 The Volunteer Steering Group has produced an annual report which was reported to Citizen Focus and Communications Committee in September 2009.

5.7.7 Since September 2009 Member Policy Days have taken place once every two months. Examples of issues discussed at these days have included the GMP Strategic Change Programme and the Policing White Paper.

6. Programme of Improvement for Governance Issues

6.1 Best practice guidance recommends that arrangements should be put in place for the Audit and Inspection Committee to meet informally with representatives of the Internal and External Auditors at least annually, and this did take place in 2009/10.

6.2 The actions for improvement for 2008/09 were:

- The development and publication of the Authority's Good Governance Policy Strategy and action plan, which will incorporate any issues identified within the body of the Annual Governance Statement.
- Improvements to strategic and operational risk management development, including improving the alignment between GMPA and GMP in order to share information and deliver effective risk management.

6.3 Both these actions were completed in 2010/11, however there are still further areas of development relating to Risk Management, as identified through the Authority's Audit and Inspection Committee and Police Authority Inspection. This includes the establishment of a GMPA Strategic Risk Group which will receive reports on the full GMP Corporate Risk Register and increasing Member engagement in GMP's Strategic Assessment process.

6.4 For the main priorities for future improvement of governance for 2010/11, the Authority has identified the following as areas for development:

- Risk Management
- Value For Money
- Understanding Performance
- Effective Scrutiny

In addition to the above, the Authority's Audit and Inspection Committee will identify any further areas for improving governance, through the Code of Corporate Governance review process.

7. Assurance Summary

- 7.1. No system of internal control can provide absolute assurance against material misstatement or loss; this statement is intended to provide reasonable assurance. However, on the basis of the review of the sources of assurance set out in this statement, we are satisfied that Greater Manchester Police Authority and Greater Manchester Police have in place satisfactory systems of internal control which facilitate the effective exercise of their functions.

Signed.....

Cllr Paul Murphy

Chair of Greater Manchester Police Authority

Date: 17th September 2010

Signed.....

Barbara Spicer

Chief Executive of Greater Manchester Police Authority

Date: 17th September 2010

Signed.....

Peter Fahy

Chief Constable of Greater Manchester Police

Date: 17th September 2010

GMP Deputy Chief Constable Assurance Statement 2009/10

GMP is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. In discharging this overall responsibility, GMP is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

As the Deputy Chief Constable, I have responsibility for maintaining a system of sound internal control and risk management processes within GMP that supports proper governance in order to achieve the Police Authority and Force objectives, and for reviewing their effectiveness.

The GMPA/GMP Joint Annual Governance Statement is designed to manage rather than eliminate the risk of failure to achieve these objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

My review of the effectiveness of Governance has taken into account the following: -

- Adequacy and effectiveness of management review processes
- Outcomes from the formal risk assessment and evaluation (GMP corporate risk register)
- Relevant internal audit reports and results of follow ups regarding implementation of recommendations
- Outcomes from reviews of services by other bodies including Inspectorates, external auditors etc.

I certify that I am confident that systems of internal control as a part of proper governance arrangements exist within GMP, which enables GMPA and GMP's objectives to be met. A sound system of internal control has been in place throughout the period of account and remains so.

Signed.....

Simon Byrne
Deputy Chief Constable of Greater Manchester Police

Date: 17th September 2010

Monitoring Officer Assurance Statement 2009/10

GMPA is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

As Monitoring Officer, I have responsibility for maintaining a system of sound internal control and risk management processes that supports proper governance in order to achieve the GMPA objectives, and for reviewing their effectiveness.

The GMPA/GMP Joint Annual Governance Statement is designed to manage rather than eliminate the risk of failure to achieve these objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

My review of the effectiveness of Governance has taken into account the following: -

- Adequacy and effectiveness of management review processes
- Outcomes from the formal risk assessment and evaluation (Strategic risk register)
- Relevant internal audit reports and results of follow ups regarding implementation of recommendations
- Outcomes from reviews of services by other bodies including Inspectorates, external auditors etc.

I certify that I am confident that systems of internal control as a part of proper governance arrangements exist within my area of responsibility, which enable the Authority's objectives to be met. A sound system of internal control has been in place throughout the period of account and remains so.

Signed.....

Russell Bernstein
Monitoring Officer
(GMPA Executive Director)

Date.....

Section 112/114 Officer Assurance Statement 2009/10

GMPA is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

As the Authority's Section 112/114 Officer I have responsibility for the proper administration of the Authority's financial affairs that feed directly into the GMPA/GMP Joint Annual Governance Statement. I am charged with ensuring that financial management arrangements are sound and effective, including a system of sound internal control and relevant risk management processes that support proper governance in order to achieve the corporate objectives, and for reviewing their effectiveness.

The GMPA/GMP Joint Annual Governance Statement is designed to manage rather than eliminate the risk of failure to achieve these objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

This Section 112/114 Officer Assurance Statement is intended to complement the assurance statements provided by the Monitoring Officer and Deputy Chief Constable and together with those statements provided an underlying layer of assurance that supports the GMPA/GMP Joint Annual Governance Statement.

My review of the effectiveness of governance has taken into account the following: -

- Relevant internal audit reports and results of follow ups regarding implementation of recommendations.
- Advising on corporate risk profiling and management, including safeguarding assets, risk avoidance and insurance.
- Ensuring there is an effective system of internal financial control.
- Ensuring a prudent financial framework is in place.
- Ensuring that any partnership arrangements (or other innovative structures for service delivery) are underpinned by clear and well-documented internal financial controls.
- Securing effective arrangements for prudent borrowing, including ensuring compliance with the relevant codes for Treasury Management.
- Ensuring there is an effective internal audit function and assisting management in providing effective arrangements for financial scrutiny.
- Advising on anti-fraud and anti-corruption strategies and measures.
- Securing effective systems of financial administration.
- Ensuring that statutory and other accounts present fairly the financial position and transactions of the authority.

I certify that I am confident that relevant systems of internal control as a part of proper governance arrangements exist across the Authority, which enables the Authority's objectives to be met. A sound system of internal control has been in place throughout the period of account and remains so.

Signed.....

Alan Westwood
Authority Treasurer and Section 112/114 Officer

Date.....

THE CORE FINANCIAL STATEMENTS

Income and Expenditure Account For the Year Ended 31st March 2010

Notes 1 to 14

This account summarises the resources that have been generated and consumed in providing services and managing the Authority and Force during the last financial year. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year in accordance with UK GAAP. The substantial deficit reported below does not mean that expenditure must be reduced or a higher Precept charged. The Statement of Movement on General Fund Balance on page 56 reconciles the deficit reported in accordance with UK GAAP with the movement on the General Fund Balance. The results below are derived wholly from continuing operations.

Three amendments have been made to the 2008/09 comparative figures to enable a like for like comparison with 2009/10 to be made. The first section of the Account has been expanded to include the new service analysis, including income from specific grants, an amendment to reflect a change to 2008/09 Police FRS17 data and the inclusion of the Police Authority's share of local councils Collection Fund balances. Appropriate changes to notes have also been made.

Net Expend- iture 2008/09 £000		Gross Expend- iture 2009/10 £000	Gross Income 2009/10 £000	Net Expend- iture 2009/10 £000	Note
295,388	Local Policing	335,374	(52,715)	282,659	
51,049	Dealing with the Public	56,544	(6,755)	49,789	
49,601	Criminal Justice Arrangements	58,521	(7,960)	50,561	
17,437	Road Policing	24,949	(9,861)	15,088	
27,668	Specialist Operations	39,709	(14,127)	25,582	
22,696	Intelligence	25,138	(2,561)	22,577	
49,446	Specialist Investigations	54,481	(5,481)	49,000	
13,020	Investigative Support	25,711	(2,162)	23,549	
4,372	National Policing	30,742	(27,453)	3,289	
2,453	Corporate and democratic core	2,563	0	2,563	3
5,210	Non distributed costs	730	0	730	4
538,340	Net cost of Police services	654,462	(129,075)	525,387	
831	Net (gain) or loss on disposal of fixed assets			849	
0	Levies			0	
0	Surpluses/deficits on trading undertakings			0	
12,100	Interest payable and similar charges			12,735	
0	Investment losses			0	
(7,226)	Interest and investment income			(2,337)	
244,460	Pensions interest cost and expected return on pensions asset			232,220	
(31,196)	Home Office grant payable towards the cost of Retirement benefits			(30,926)	
757,309	Net operating expenditure			737,928	

Net Expend- iture 2008/09		Gross Expend- iture 2009/10	Gross Income 2009/10	Net Expend- iture 2009/10	Note
(99,073) (258,734) (186,880)	Precepts General government grants NNDR			(106,927) (280,231) (178,706)	9
212,622	Deficit for the year			172,064	

Statement of Movement on the General Fund Balance 2009/10

Notes 15 to 17

The Income and Expenditure Account discloses the deficit for the year in accordance with UK GAAP. However, the amount that can be credited or charged to the General Fund is not calculated in accordance with UK GAAP but is the amount that must be taken into account when determining the Authority's budget requirement and Precept in accordance with statute and non statutory proper practices. This Statement reconciles the differences between the two approaches. The increase or decrease in the General Fund Balance for the year illustrates the Authority's performance against the balanced budget and Precept it must set each year.

2008/09 £000		2009/10 £000	Note
212,622	Deficit for the year on the Income and Expenditure Account	172,064	15
(213,416)	Amounts required by statute and non statutory proper practices to be charged or credited to the General Fund in determining the movement on the General Fund Balance for the year	(171,911)	16
(794)	(Increase)/decrease in General Fund Balance for the year	153	
(12,098)	General Fund Balance brought forward	(12,892)	
(12,892)	General Fund Balance carried forward	(12,739)	

Statement of Total Recognised Gains and Losses (STRGL) 2009/10

Note 18

Some of the gains and losses experienced by the Authority calculated in accordance with UK GAAP are not shown in the Income and Expenditure Account. Examples are gains and losses on the revaluation of fixed assets and pension actuarial gains and losses. All gains and losses are reported in the STRGL and the statement balances to the movement on the Authority's net worth disclosed in its Balance Sheet.

2008/09 £000		2009/10 £000	Note
212,622	Deficit for the year on the Income and Expenditure Account	172,064	18
(6,006)	Surplus arising on revaluation of fixed assets	(11,041)	
(413,020)	Actuarial losses/(gains) on pension fund assets and liabilities	1,681,260	
(206,404)	Total recognised losses/(gains) for the year	1,842,283	

The changes in accounting policy for Private Finance Initiative (PFI) and Council Tax debtors (see notes 3 a) and 3 b) on pages 12 and 13) have led to prior period adjustments. The cumulative effect on net worth is an increase of £16.924m. Of this amount £3.227m relates to 2008/09 and £13.697m to periods prior to that year.

The Balance Sheet

Notes 19 to 44

This statement shows the overall financial position of the Greater Manchester Police Authority as at 31st March 2010.

At 31 March 2009		Description and Narrative	At 31 March 2010		Note
£000	£000		£000	£000	
1,639 (789)		Intangible Assets Less: Provision for depreciation	2,089 (699)		
	850			1,390	19
		TANGIBLE FIXED ASSETS:			
		Operational Assets			
184,753 (5,401)		Other land and buildings Less: Provision for depreciation	184,891 (4,514)		
	179,352			180,377	20
110,609 (60,370)		Vehicles, Plant and Equipment Less: Provision for depreciation	115,283 (59,553)		
	50,239			55,730	20
28,590 (12)		Non Operational Assets Less: Provision for depreciation	65,933 (15)		
	28,578			65,918	21
	17,000	Long term investments		9,000	26
	1,445	Long term debtors		1,751	25
	277,464	TOTAL LONG TERM ASSETS		314,166	
		CURRENT ASSETS:			
1,996		Stocks	1,617		
38,919		Debtors and prepayments	32,906		25
58,560		Investments	71,299		26
639		Cash	639		
	100,114			106,461	
(25,225)		CURRENT LIABILITIES:	(6,574)		
		Borrowing repayable on demand or within 12 months			
(61,569)		Creditors	(51,268)		27
(2,594)		PFI finance lease liability	(2,337)		
(914)		Bank Overdraft	(2,480)		
	(90,302)			(62,659)	
	287,276	TOTAL ASSETS LESS CURRENT LIABILITIES		357,968	
(13,133)		Deferred liabilities	(12,363)		28
(53,401)		Borrowing repayable within a period in excess of 12 months	(98,384)		29
(3,296,296)		Liability relating to defined benefit pension schemes	(5,134,000)		
(18,422)		Provisions - Insurance Liabilities	(19,646)		30
(1,822)		Provisions - Other	(1,787)		30
(54,119)		PFI finance lease liability	(51,782)		
(53,798)		Capital grants deferred	(86,004)		31
	(3,490,991)			(5,403,966)	
	(3,203,715)	TOTAL ASSETS LESS LIABILITIES		(5,045,998)	

2010 Statement

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At 31 March 2009		Description and Narrative	At 31 March 2010		Note
£000	£000		£000	£000	
	39,479	Capital Adjustment Account		34,975	32
	1,085	Financial Instruments Adjustment Account		964	33
	6,448	Revaluation Reserve		16,240	34
	0	Available-for-sale Financial Instruments Reserve		0	
	477	Collection Fund Adjustment Account		298	35
	(3,296,296)	FRS17 Pensions reserve		(5,134,000)	
	12,182	PFI Reserve		12,793	36
	8,428	Capital Receipts Reserve		5,011	37
	11,590	Earmarked reserves		4,982	38
	12,892	Balances - Police General Fund		12,739	39
	(3,203,715)	NET WORTH		(5,045,998)	

A. Westwood, C.P.F.A.
Treasurer to the Police Authority
Dated: 21ST June 2010

Revised: 17th September 2010

The Cash Flow Statement

Notes 45 to 49

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

31 March 2009			31 March 2010		Note
£000	£000		£000	£000	
581,663		REVENUE ACTIVITIES			
103,551		Cash outflows	616,046		
		Cash paid to and on behalf of employees	104,617		
	685,214	Other operating cash payments		720,663	
(99,314)		Cash inflows	(107,107)		
(186,880)		Council Tax receipts (Precept)	(178,706)		
(26,015)		Non-domestic rate receipts	(41,248)		
(347,176)		Revenue support grant	(367,778)		49
(37,525)		Other government grants	(37,631)		
	(696,910)	Cash received for goods and services		(732,470)	
	(11,696)	Net Cash outflow/(inflow) from Revenue Activities		(11,807)	45
		RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
4,215		Cash outflows	4,411		
7,981		Interest paid	8,041		
(7,303)		Interest element of finance lease rentals	(3,754)		
	4,893	Cash inflows			
		Interest received			
		Net Cash Outflow/(inflow) from Servicing of Finance		8,698	
48,573		CAPITAL ACTIVITIES			
		Cash outflows	58,350		
		Purchase of fixed assets			
(1,555)		Cash inflows	(583)		
(11,573)		Sale of fixed assets	(36,564)		
		Capital grants received			
	35,445	Net Cash outflow/(inflow) from Capital Activities		21,203	
	28,642	Net Cash outflow/(inflow) before financing		18,094	46

31 March 2009			31 March 2010		Note
£000	£000		£000	£000	
	(20,750)	MANAGEMENT OF LIQUID RESOURCES Net increase/(decrease) in short term deposits		6,150	47
		FINANCING			
		Cash outflows			
37,665		Repayments of amounts borrowed – long term loans	24,726		
11,600		Repayments of amounts borrowed – short term loans	7,400		
2,004		Capital element of finance lease rentals	2,595		
		Cash inflows			
(47,000)		New long term loans	(50,000)		
(11,600)		New short term loans	(7,400)		
	(7,331)	Net Cash flow from Financing		(22,679)	
	561	(Increase)/decrease in cash		1,565	47

NOTES TO THE CORE FINANCIAL STATEMENTS

Notes to the Income and Expenditure Account

1. Best Value Accounting Code of Practice

From April 2007 Police Authorities are no longer Best Value Authorities in respect of the production of Best Value reviews and performance plans. The relevant legislation is in the Police and Justice Act 2006. However, the Best Value Accounting Code of Practice (BVACOP) still applies.

The 2007/08 and 2008/09 Income and Expenditure Accounts reported the cost of Police Services only.

For 2009/10 a new Police Objective Analysis has been formulated with the objective of ensuring that different police forces' financial reports are produced on the most accurate and consistent basis possible. To enable a like for like comparison to be made the comparative figures disclosed in the Income and Expenditure account and relevant notes have been redrawn.

2. Overheads and Support Services

The costs of overheads and support services are charged to the Net Cost of Police Services with the exception of the Corporate and Democratic Core and Non Distributed Costs in accordance with Section 2 of BVACOP.

3. Corporate and Democratic Core (CDC)

The Corporate and Democratic Core comprises:

- Members' allowances
- Officer advice and support to Members
- Subscriptions to local authority associations and provincial councils
- The Chief Executive
- Providing statutory information and returns
- Accounting for corporate resources
- External audits and inspections
- Treasury management and bank charges

4. Non Distributed Costs (NDC)

Non distributed costs comprise:

2008/09 £000		2009/10 £000
4,110	Past service costs	430
1,100	Curtailment and settlement	300
5,210		730

Both these are pensions costs calculated in accordance with FRS17.

5. Members' Allowances

The Authority has 19 members and two independent (lay) members (see page 7). Allowances paid to these members in the year amounted to £0.289m (£0.282m in 2008/2009). The scheme is made in accordance with the provisions of Section 107 of the Criminal Justice and Police Act, 2001. Full details of the members allowances scheme is published on the Authority's website at

2010 Statement

www.gmpa.gov.uk/about-members.5.htm. No Member of the Authority received a salary of £50,000 or more a year (pro rata).

6. Employees' Remuneration

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £5,000 were:-

2008/09	Remuneration Band	2009/10
542	£50,000 - £54,999	500
146	£55,000 - £59,999	218
39	£60,000 - £64,999	55
33	£65,000 - £69,999	29
23	£70,000 - £74,999	22
16	£75,000 - £79,999	17
10	£80,000 - £84,999	10
7	£85,000 - £89,999	8
0	£90,000 - £94,999	4
3	£95,000 - £99,999	1
1	£100,000 - £104,999	2
1	£105,000 - £109,999	1
1	£110,000 - £114,999	1
0	£115,000 - £119,999	2
0	£120,000 - £124,999	0
0	£125,000 - £129,999	0
0	£130,000 - £134,999	0
1	£135,000 - £139,999	1
0	£140,000 - £144,999	0
0	£145,000 - £149,999	0
0	£150,000 - £154,999	0
0	£155,000 - £159,999	0
0	£160,000 - £164,999	0
0	£165,000 - £169,999	0
0	£170,000 - £174,999	0
0	£175,000 - £179,999	0
0	£180,000 - £184,999	1
823		872

In addition to the disclosure above the note overleaf sets out remuneration details in respect of the Chief Constable, senior police officers and senior employees. Pensions contributions are included in the note, but not in the table above. Where a person receives a **salary** of £150,000 or more per year (pro rata) then they are named in the note. In 2008/09 no person actually earned this amount but as the Chief Constable joined the Force part way through 2008/09 he has been named on a pro rata basis. Chief Superintendent posts have not been individually included due to numbers. Total costs and an indication of the range payable are disclosed.

The Chief Executive, Treasurer and Monitoring Officer of the Police Authority undertake their duties as part of their contract of employment with Salford City Council. Relevant remuneration notes for these officers can be found in the Council's Statement of Accounts.

Financial Year 2009/10							
Post holder information	Salary (incl. Fees & allowances)	Bonuses	Expense Allowances	Other payments (Police officers only)	Total remuneration excl. pension contributions 2009/10	Pension contributions	Total remuneration incl. Pension contributions 2009/10
	£	£	£	£	£	£	£
Police Officers							
Chief Constable P. Fahy	181,949	0	0	0	181,949	42,368	224,317
Deputy Chief Constable	137,148	0	0	0	137,148	32,039	169,187
Assistant Chief Constable	105,152	0	0	0	105,152	24,872	130,024
Assistant Chief Constable	104,512	13,079	482	0	118,073	23,545	141,618
Assistant Chief Constable	102,468	0	450	0	102,918	23,198	126,116
Assistant Chief Constable	97,322	0	396	0	97,718	22,627	120,345
Assistant Chief Constable	81,728	0	0	0	81,728	19,778	101,506
Assistant Chief Constable	78,441	9,951	119	0	88,511	18,403	106,914
Chief Superintendent x 25	2,002,499	59,471	193	0	2,062,163	445,599	2,507,762
Range Chief Superintendent	71,116 - 88,746	0 - 5,755	0 - 113	0	71,116 - 92,500	15,268 - 18,850	87,757 - 112,531
Senior employees							
ACO	109,496	8,099	450	0	118,045	14,400	132,445
ACO Resources	102,128	9,951	0	0	112,079	14,400	126,479
Occ Health	104,667	0	0	0	104,667	14,758	119,425
Director of Strategic Change	85,894	8,346	0	0	94,240	11,946	106,186

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Financial Year 2009/10							
Post holder information	Salary (incl. Fees & allowances)	Bonuses	Expense Allowances	Other payments (Police officers only)	Total remuneration excl. pension contributions 2009/10	Pension contributions	Total remuneration incl. Pension contributions 2009/10
	£	£	£	£	£	£	£
Director of Learning and Development	85,894	5,842	0	0	91,736	11,946	103,682
Force IT Director	84,725	0	0	0	84,725	11,946	96,671
Director of Finance	85,894	0	0	0	85,894	11,946	97,840
Director of Legal Services	81,455	0	71	0	81,526	11,320	92,846
Business Services Director	74,530	0	0	0	74,530	10,344	84,874
Diversity Director	73,360	0	0	0	73,360	10,344	83,704
Facilities Director	68,169	0	133	0	68,302	9,447	77,749
Corp Comms Director	66,999	0	0	0	66,999	9,447	76,446
Forensic Services Director	65,475	0	132	0	65,607	9,232	74,839
Total 2009/10	3,979,905	114,739	2,426	0	4,097,070	803,905	4,900,975

The comparative figures for 2008/09 are shown overleaf.

Financial Year 2008/09							
Post holder information	Salary (incl. Fees & allowances)	Bonuses	Expense Allowances	Other payments (Police officers only)	Total remuneration excl. pension contributions 2009/10	Pension contributions	Total remuneration incl. Pension contributions 2009/10
	£	£	£	£	£	£	£
Police Officers							
Chief Constable P. Fahy	103,852	0	0	0	103,852	24,345	128,197
Deputy Chief Constable	109,274	26,616	463	0	136,353	25,475	161,828
Assistant Chief Constable	138,328	9,798	535	203	148,864	32,034	180,898
Assistant Chief Constable	102,724	9,641	86	1,383	113,834	24,084	137,918
Assistant Chief Constable	96,205	0	450	171	96,826	22,707	119,533
Assistant Chief Constable	93,786	3,640	111	176	97,713	21,495	119,208
Assistant Chief Constable	86,099	0	300	0	86,399	19,756	106,155
Assistant Chief Constable	85,513	0	450	58	86,021	19,428	105,449
Chief Superintendent x 27	2,071,295	26,938	665	3,939	2,102,837	459,165	2,562,002
Range Chief Superintendent	62,294 – 86,226	0 – 3,640	0 – 141	0 – 203	63,082 – 86,850	14,676 – 17,892	77,759 – 104,742
Senior employees							
ACO Resources	99,520	9,641	0	0	109,161	14,032	123,193
Occ Health	97,995	0	0	0	97,995	13,817	111,812
ACO	87,148	0	0	0	87,148	11,422	98,570
Director of Learning and	83,671	0	0	0	83,671	11,643	95,314

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Financial Year 2008/09							
Post holder information	Salary (incl. Fees & allowances)	Bonuses	Expense Allowances	Other payments (Police officers only)	Total remuneration excl. pension contributions 2009/10	Pension contributions	Total remuneration incl. Pension contributions 2009/10
	£	£	£	£	£	£	£
Development							
Director of Finance	83,671	0	0	0	83,671	11,643	95,314
Director of Strategic Change	83,671	0	0	0	83,671	11,643	95,314
Force IT Director	81,529	0	99	0	81,628	11,495	93,123
Director of Legal Services	79,064	0	107	0	79,171	10,994	90,165
Business Services Director	72,595	0	0	0	72,595	10,081	82,676
Director of CD&P	72,595	0	0	0	72,595	10,081	82,676
Diversity Director	71,500	0	0	0	71,500	10,081	81,581
Facilities Director	66,398	0	159	0	66,557	9,208	75,765
Corp Comms Director	65,576	0	0	0	65,576	9,208	74,784
Forensic Services Director	63,064	0	153	0	63,217	8,738	71,955
Total 2008/09	3,995,073	86,274	3,578	5,930	4,090,855	802,575	4,893,430

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7. Leases

Finance and Operating Leases

The Authority acquired no assets under leasing agreements during 2009/2010 or 2008/2009.

Property Leases Payable

The Authority occupies a number of leased properties. Rentals paid in 2009/2010 amounted to £1,501,000 (£1,372,000 in 2008/2009), with a further outstanding obligation for the year of £99,000 (£23,000 in 2008/2009). Property lease costs in 2010/11 will be £1,613,000. This commitment can be further analysed:

	£000
Lease expires in 1 year	20
Lease expires in 2 to 5 years	1,363
Lease expires in over 5 years	230
	<hr/> 1,613

Property Leases Receivable

The Authority received £11,500 rental income in 2009/10 (£11,500 in 2008/09). This income relates to the siting of transmitting equipment and is subject to yearly agreement. No property assets have been acquired or are held solely for leasing purposes.

8. Cycle to work scheme

The Authority introduced a cycle to work scheme for employees during 2009/10. Bicycles and safety equipment costing £0.383m were bought. Repayments of £0.181m have been deducted from salaries with the balance of £0.202m disclosed as a debtor. The cost of the bicycles and equipment will be repaid by those participating in the scheme in 12 monthly instalments. 600 employees joined the scheme in 2009/10.

9. Precept income

2008/09 £000		2009/10 £000
(99,314)	Precept receipts	(107,107)
241	Share of council tax debtors	180
(99,073)	Disclosed in I and E Account	(106,927)

10. Pension Costs (see also note 42 to the Balance Sheet)

The Authority recognises the cost of retirement benefits in the Net Cost of Services when employees earn them, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against Precept is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	Police Pension Scheme £000s		Local Government Pension Scheme £000s	
	2009/10	2008/09	2009/10	2008/09
Income & Expenditure Account				
Net cost of services:				
• current service cost	98,430	114,540	8,200	10,100
• past service cost	430	410	0	3,700
• curtailment and settlement	0	0	300	1,100
Net Operating Expenditure:				
• interest cost	227,920	243,160	20,600	21,700
• expected return on scheme assets	0	0	(16,300)	(20,400)
Net Charge to the Income and Expenditure Accounts	326,780	358,110	12,800	16,200
Statement of Movement on the General Fund Balance:				
• reversal of net charges made for retirement benefits in accordance with FRS 17	(326,780)	(358,110)	(12,800)	(16,200)
Actual amount charged against the General Fund Balance for pensions in the year:				
• Employers' contributions payable to scheme	30,926	31,196	15,700	14,200
• Retirement benefits paid to pensioners	139,480	133,910	400	400
	170,406	165,106	16,100	14,600

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses were included in the Statement of Total Recognised Gains and Losses (STRGL), as follows:

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	Police Pension Scheme £000s		Local Government Pension Scheme £000s		Both Schemes £000s	
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
STRGL						
Actuarial (gains)/losses	1,519,860	(436,820)	161,400	23,800	1,681,260	(413,020)

Reconciliation of fair value of the scheme assets:

	Police Pension Scheme		Local Government Pension Scheme	
	£000s		£000s	
	2009/10	2008/09	2009/10	2008/09
1 April opening	0	0	252,200	289,600
Expected rate of return	0	0	16,300	20,400
Actuarial (gains) and losses	0	0	76,700	(71,300)
Employer contributions	0	0	15,700	14,200
Contributions by members	0	0	7,200	6,500
Contributions in respect of unfunded benefits	0	0	400	400
Unfunded benefits paid	0	0	(400)	(400)
Benefits paid	0	0	(8,100)	(7,200)
31 March closing	0	0	360,000	252,200

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £93,100,000 (2008/09 £49,900,000).

Reconciliation of present value of the scheme liabilities:

	Unfunded liabilities: Police Pension Scheme		Funded liabilities: Local Government Pension Scheme	
	£000s		£000s	
	2009/10	2008/09	2009/10	2008/09
1 April opening	3,253,196	3,495,482	295,300	307,300
Current service cost	67,980	85,240	8,200	10,100
Interest cost	227,920	243,160	20,600	21,700
Contributions by members	30,450	29,300	7,200	6,500
Actuarial losses/(gains)	1,519,860	(436,820)	238,100	(47,500)
Past service costs/(gains)	430	410	0	3,700
Losses/(gains) on curtailments	0	0	300	1,100
Estimated unfunded benefits paid	0	0	(400)	(400)
Estimated benefits paid	(136,110)	(132,380)	(8,100)	(7,200)
Contribution to Police Pension Fund Account	(30,926)	(31,196)	0	0
31 March closing	4,932,800	3,253,196	561,200	295,300

Scheme History

	2009/10	2008/09	2007/08	2006/07	2005/06
Present value of liabilities:					
• Local Government Pension Scheme	(561,200)	(295,300)	(307,300)	(356,200)	(349,800)
• Police Pension Scheme	(4,932,800)	(3,253,196)	(3,495,482)	(4,098,169)	(4,205,060)
Fair value of assets in the Local Government Pension Scheme	360,000	252,200	289,600	294,900	264,800
Surplus/(deficit) in the scheme:					
• Local Government Pension Scheme	(201,200)	(43,100)	(17,700)	(61,300)	(85,000)
• Police Pension Scheme	(4,932,800)	(3,253,196)	(3,495,482)	(4,098,169)	(4,205,060)
Total	(5,134,000)	(3,296,296)	(3,513,182)	(4,159,469)	(4,290,060)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £5,134,000m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £5,045,998m.

However, statutory arrangements for funding the deficit means that the financial position of the authority remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary
- Finance is only required to be raised to cover police pensions when the pensions are actually paid

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2011 is £16.4m. Expected contributions for the Police Pension Scheme in the year to 31 March 2011 are £69.4m.

11. Related parties' transactions

During the year transactions with related parties arose as follows:

2008/2009			2009/2010	
Income	Expenditure		Income	Expenditure
£000	£000		£000	£000
2,514	2,672	Home Office	2,845	3,010
9,202	8,044	Manchester Airport	9,468	8,195
6,351		Other local authorities and government bodies	3,753	
116,502		Central Government - specific grants	121,559	
445,613		- general grants	458,937	
99,314		Greater Manchester District Councils' Precept	107,107	
	8,908	Forensic Science Service		10,390
	262	Cheshire Police Authority (underwater search)		285
	2,675	Salford MBC (service level agreement)		3,073
	1,643	Tameside MBC (ex-GMC debt)		1,609
	441	Automatic Fingerprint Recognition (AFR) consortium		441
679,496	24,645		703,669	27,003

The specific grant and general grant figures for 2008/09 have been redrawn to allow comparison with the 2009/10 figures.

The Precept figure is the cash amount received and is not adjusted for the movement on the Collection Fund Adjustment account.

Central Government has effective control over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority operates and provides the majority of its funding in the form of grants. Details of transactions with government departments are disclosed elsewhere in the notes to the accounts.

Police Authority members and chief officers are required to declare whether they, or any member of their immediate family have had any related party transactions (significant dealings) with the Police Authority during the financial year. The Treasurer has written to all members and chief officers to collect this information. In the Treasurer's opinion there are no material related party transactions to disclose.

12. The Greater Manchester High Sheriff's Police Trust

The Greater Manchester High Sheriff's Police Trust is an independent Trust that awards grants to support crime reduction and community safety projects in Greater Manchester. In the year to March 2010, the Trust awarded grants totalling £106,668 (£86,015 in the year to March 2009).

Applications to the Trust are made, often for local activities carried out in conjunction with community groups and other organisations.

The following members of the Authority and Chief Officers of Greater Manchester Police served on the Board of Trustees during 2009/10:

Ex Officio Trustees:

Councillor Paul Murphy	Chairman of Greater Manchester Police Authority
Mr. Peter Fahy	Chief Constable of Greater Manchester
Mr. David Thompson	Assistant Chief Constable of Greater Manchester Police

Trustees:

Mr. Vincent Sweeney	Assistant Chief Constable of Greater Manchester Police
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13. External audit fees

The Authority has incurred the following fees relating to external audit carried out by the Audit Commission. The comparative figure for 2008/09 has been changed to reflect an undercharge in that year.

2008/2009		2009/2010
£000		£000
110	Fees payable with regard to external audit services carried out by the appointed auditor	115
0	Fees payable in respect of statutory inspection	0
0	Fees payable for the certification of grant claims	0
0	Fees payable in respect of other services provided by the appointed auditor	0
110		115

In addition to the above, statutory inspection of the Force is undertaken by Her Majesty's Inspectorate of Constabulary (HMIC). Their costs in respect of this work are not borne by the Authority.

14. Private Finance Initiative (PFI)

On 4th December 2002, the Authority entered into a PFI scheme with Equion plc to provide 17 new police facilities on 16 sites. Payments to the contractor, the unitary charge, began with the opening of the first building and the commencement of the service on 30th November 2003. The last station opened on 9th October 2006.

Future lease redemptions under the contract will be:

	£000
2010/11	2,337
2011/12 to 2015/16	9,359
2016/17 to end of contract	42,423
	54,119

Notes to the Statement of Movement on the General Fund Balance

15. The deficit for the year on the Income and Expenditure Account is measured in accordance with UK GAAP. However, the amount that must be charged or credited to the General Fund is not in accordance with UK GAAP but is the amount that must be taken into account in determining the Authority's Budget Requirement and Precept in accordance with

statute and non-statutory proper practice. The movement on the General Fund Balance is an important measure of the Authority's stewardship during the year.

16. The amounts required by statute and non-statutory proper practice to be charged or credited to the General Fund are as follows:

Note of Reconciling Items for the Statement of Movement on the General Fund Balance

2008/09 £000		2009/10 £000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on General Fund Balance for the year	
(12,298)	Depreciation including amortisation of intangible assets	(16,174)
(16,240)	Impairment of fixed assets	(6,488)
5,759	GGD amortisation matching depreciation	6,371
0	Deferred charges	0
1,085	Discount on rescheduling adjustment	(121)
(831)	Net gain or loss on disposal of fixed assets	(849)
(374,310)	Net charges made for retirement benefits in accordance with FRS17	(339,580)
(241)	Amount by which Precept income included in the Income and Expenditure Account is different from the amount taken to General Fund in accordance with regulation	(179)
(397,764)		(357,020)
	Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the movement on the General Fund Balance for the year	
4,780	MRP, transferred debt repayments and PFI lease redemption	6,171
1,104	Capital expenditure charged in year to the General Fund Balance	1,799
31,196	Additional contribution to the Police Pension Fund to balance the deficit on that Fund	30,926
146,580	Employer's contributions payable to the Pensions Account	151,810
400	Retirement benefits payable direct to pensioners	400
184,060		191,106
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year	
0	Voluntary revenue provision for capital financing	0
289	Net transfer to or from earmarked reserves	(5,996)
289		(5,996)
(213,416)	Net additional amount required to be credited to the General Fund Balance for the year	(171,910)

17. The Authority is required to set aside a minimum revenue provision (MRP) for the redemption of external debt. For 2009/10 the amount is £2.868m (£2.128m in 2008/09). The amount relating to PFI lease redemption is £2.594m in 2009/10 (2.004m in 2008/09).

The Authority is also charged with a share of the debt relating to the former Greater Manchester County Council (GMC), which is administered on behalf of the successor authorities by Tameside MBC. Principal repayments in 2009/10 were £0.709m (£0.648m in 2008/09).

In addition to MRP the Authority may also voluntarily set aside sums as a provision for credit liabilities. The amount set aside in 2009/2010 was nil (nil in 2008/2009).

Note to the Statement of Total Recognised Gains and Losses (STRGL)

18. The surplus arising on revaluation of fixed assets is analysed as follows:

2008/09 £000		2009/10 £000
(1,516)	Excess/(decrease) of valuation over capital expenditure	(1,342)
(2,104)	Net disposals	(8,266)
(831)	Capital grant transferred from Government Grants Deferred (GGD)	(850)
(1,555)	Capital receipts in the year	(583)
(6,006)		(11,041)

Notes to the Balance Sheet

19. Intangible Assets

Movements in intangible assets during 2009/10 are summarised below:

Cost or valuation	£000
At 1 April 2009	1,639
Additions	985
Donations	0
Disposals	(535)
Reclassifications	0
Revaluations	0
At 31 March 2010	2,089
Depreciation and impairments	
At 1 April 2009	(789)
Charge for 2009/10	(296)
Disposals	386
Reclassifications	0
Revaluations	0
At 31 March 2010	(699)
Balance Sheet amount at 31 March 2010	1,390
Balance Sheet amount at 1 April 2009	850
Nature of asset holding	
Owned	1,390
Finance Lease	0
PFI	0
	1,390

20. Operational Assets

Movements in operational fixed assets during 2009/2010 are summarised below:-

	Other Land and Buildings £000	Vehicles, Plant, etc £000	Total £000
Cost or valuation			
At 1 April 2009	184,753	110,609	295,362
Additions	1,100	11,913	13,013
Donations	0	0	0
Disposals	(125)	(13,573)	(13,698)
Reclassifications	207	6,158	6,365
Revaluations	(1,044)	176	(868)
At 31 March 2010	184,891	115,283	300,174
Depreciation and impairments			
At 1 April 2009	(5,401)	(60,370)	(65,771)
Charge for 2009/10	(2,066)	(13,801)	(15,867)
Disposals	2	8,651	8,653
Reclassifications	1	0	1
Revaluations	2,950	5,967	8,917
At 31 March 2010	(4,514)	(59,553)	(64,067)
Balance Sheet amount at 31 March 2010	180,377	55,730	236,107
Balance Sheet amount at 1 April 2009	179,352	50,239	229,591
Nature of asset holding			
Owned	106,146	55,730	161,876
Finance lease	0	0	0
PFI	74,231	0	74,231
	180,377	55,730	236,107

21. Non-operational Assets

Movements in non-operational fixed assets during 2009/2010 are summarised below:-

	Investment Properties £000	Assets under Construction £000	Surplus Assets £000	Total £000
Cost or valuation				
At 1 April 2009	5	25,903	2,682	28,590
Additions	0	39,806	4,015	43,821
Donations	0	0	0	0
Disposals	0	0	0	0
Reclassifications	0	(6,657)	292	(6,365)
Revaluations	0	0	(113)	(113)
At 31 March 2010	5	59,052	6,876	65,933
Depreciation and impairments				
At 1 April 2009	0	0	(12)	(12)
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Charge for 2009/10	0	0	(12)	(12)
Disposals	0	0	0	0
Reclassifications	0	0	(1)	(1)
Revaluations	0	0	10	10
At 31 March 2010	0	0	(15)	(15)
Balance Sheet amount at 31 March 2010	5	59,052	6,861	65,918
Balance Sheet amount at 1 April 2009	5	25,903	2,670	28,578
Nature of asset holding				
Owned	5	59,052	6,861	65,918
Finance lease	0	0	0	0
PFI	0	0	0	0
	5	59,052	6,861	65,918

Notes: (a) Fixed assets were initially valued at 1st April 1994 at the lower of net current replacement cost and net realisable value. Periodic revaluations took place on 1st April 2000, 1st April 2004 and 1st April 2009.

(b) Fixed assets will be revalued every five years, or earlier if appropriate.

(c) The Authority's Valuer is R. Wynne, M.R.I.C.S. (Urban Vision Ltd).

(d) For land and building and non-operational assets the gross book value of assets is the certified valuation. Other assets are carried at cost.

22. Summary of Capital Expenditure and Sources of Finance

This note summarises capital expenditure incurred and financed by Greater Manchester Police Authority in 2009/2010 and illustrates the effect on the movement in the Capital Financing Requirement (CFR) during the year. The CFR is a Prudential Code Indicator and measures the underlying need to borrow for capital purposes.

Year Ended 31 March 2009 £000	Description	Year Ended 31 March 2010 £000
130,858	Opening Capital financing requirement	159,292
	Capital Investment:	
13,435	Operational assets	13,629
33,926	Non operational assets	43,821
47,361		57,450
0	Deferred charges	0
	Sources of finance:	
(2,300)	Capital Receipts	(4,000)
(10,902)	Government Grants and other contributions	(39,969)
(5,725)	Revenue (inc. MRP and PFI lease redemption)	(6,577)
(18,927)		(50,546)
159,292	Closing Capital Financing Requirement	166,196

30,438	Movement in year	6,904
	Explanation of movement in year:	
7,435	Increase in underlying need to borrow (supported by government financial assistance)	3,744
25,779	Increase in underlying need to borrow (unsupported by government financial assistance)	9,330
(2,776)	Provision for debt repayment	(6,170)
30,438		6,904

23. An analysis of major fixed assets is as follows:-

31 March 2009		31 March 2010
1	Headquarters	1
6	Divisional Headquarters	6
12	Sub-Divisional Headquarters	12
28	Section Stations	28
23	Police Posts and Offices	26
3	Deployment Stations	3
17	PFI premises	17
8	Operational Support, Workshops, Training and Social	7
1	Central Detention Centre	1
6	Family Support Units	6
22	Radio Sites and Masts	15
1	Helicopter	1
1	Fixed wing	1
2,040	Vehicles	2,151
16	Houses	15

24. Commitments under Capital Contracts

At 31st March 2010 the Authority had approved a capital programme of £101.582m for 2010/2011. The major schemes within this total are: -

	Contractually Committed 2010/11 £000	Approved Only 2010/11 £000	Contractually Committed 2011/12 £000
Force Headquarters	42,598		52
North Manchester DHQ	22,812		12,191
Bury Divisional Headquarters	1,922		
Mobile data	2,675		
Rochdale		5,393	
Claytonbrook		3,520	
Greenheys		1,577	
Plant Hill		1,250	
ICCS replacement		2,000	
Vehicles		3,441	
	70,007	17,181	12,243

The Authority has resolved to finance £4.000m of the capital programme from useable capital receipts and £48.506m by borrowing not supported by an SCE(R) allocation in 2010/2011.

25. Debtors and Prepayments

Year Ended 31 March 2009		Year Ended 31 March 2010
£000	Amounts falling due in one year:-	£000
5,385	Debtors - Government Grants	9,747
10,894	Police Pension Fund	1,310
5,579	Customs and Excise	4,178
604	Manchester Airport	2,100
298	Home Office	63
18,058	Other Local Authorities and Government Departments	20,140
3,393	Other Debtors	2,931
44,211		40,469
(7,171)	Less: Provision for Bad Debts	(8,090)
37,040		32,379
1,879	Add: Prepayments	527
38,919		32,906
	Amounts falling due after one year:-	
1,445	Car loans	1,751
1,445		1,751
40,364		34,657

26. Investments

The Authority invests its surplus balances in external investments in order to generate income by earning interest on these investments. The balance sheet shows these investments at original cost plus interest accrued to 31st March 2010. Long-term investments are defined as 365 days or more; short-term investments do not exceed 364 days.

27. Creditors

Year Ended 31 March 2009		Year Ended 31 March 2010
£000		£000
10,838	Inland Revenue	10,910
8,553	Other Local Authorities and Government Depts.	10,627
8,525	Police Officers/Civilian Pay and Overtime	3,589
6,909	Capital	6,010
8,822	Prepaid Income	7,184
2,788	Seized money	3,927
15,134	Sundry Creditors	9,021
61,569		51,268

28. Deferred Liabilities

The deferred liability relates to long-term principal outstanding in respect of pre 1986 debt managed by Tameside MBC.

29. Long Term Borrowing

Year Ended 31 March 2009		Year Ended 31 March 2010
£000		£000
	Source of loan	
	Range of Interest Rates Payable %	
53,401	Public Works Loan Board 2.600% to 9.375%	98,384
<u>53,401</u>		<u>98,384</u>
	Maturity Periods	
	The above borrowings are repayable as follows:-	
5,017	Maturing in 1 - 2 years	4,017
8,050	Maturing in 2 - 5 years	24,050
658	Maturing in 5 - 10 years	30,641
<u>39,676</u>	Maturing in more than 10 years	<u>39,676</u>
<u>53,401</u>		<u>98,384</u>

Long-term borrowing is repayable beyond the next financial year. Borrowing repayable within one year is included in the current liabilities section of the Balance Sheet. Pre 1986 debt managed by Tameside MBC is disclosed as a deferred liability.

30. Provisions

Year Ended 31 March 2009		Year Ended 31 March 2010
£000		£000
	Insurance Liabilities	
(15,754)	Balance at 1 April b/f	(18,422)
(155)	Add: Receipts in Year	(49)
(6,256)	Increase in provision	(4,699)
<u>3,743</u>	Less: Payments in Year	<u>3,524</u>
<u>(18,422)</u>	Balance at 31 March c/f	<u>(19,646)</u>
	Compensatory grant	
(2,117)	Balance at 1 April b/f	(1,822)
(1,822)	Add: Receipts in year	(1,487)
<u>2,117</u>	Less: Payments in Year	<u>1,822</u>
<u>(1,822)</u>	Balance at 31 March c/f	<u>(1,487)</u>
	Injury Pension Reviews	
0	Balance at 1 April b/f	0
0	Add: Receipts in Year	(300)
<u>0</u>	Less: Payments in Year	<u>0</u>
<u>0</u>	Balance at 31 March c/f	<u>(300)</u>
<u>(1,822)</u>	Other Provisions	<u>(1,787)</u>

Each year the Authority's insurance broker carries out a valuation of the funding requirement as at 31st March, and the balance on the insurance provision is adjusted accordingly. Further details on provisions can be found in the Statement of Accounting Policies on page 26.

31. Capital Grants Deferred Account

Capital grants are initially credited to this account. Grant received in respect of assets being depreciated is released to the Income and Expenditure Account to match depreciation charged.

Year Ended 31 March 2009		Year Ended 31 March 2010
£000		£000
(48,815)	Balance at 1 April b/f	(53,798)
(10,742)	Grants received in year	(38,577)
5,759	Released to Income and Expenditure Account in year	6,371
0	Transferred to Capital Financing Account	0
(53,798)	Closing balance 31 March	(86,004)
	Represented by:	
(53,798)	Capital grant applied	(84,904)
0	Capital grant unapplied	(1,100)
(53,798)		(86,004)

32. Capital Adjustment Account

The closing balance on the Capital Adjustment Account at 31st March 2010 represents timing differences between the amount of historical cost fixed assets that have been consumed and the amount that has been financed in accordance with statutory requirements since 1st April 2007, plus revaluation gains accumulated up to 31st March 2007. The effect of the revaluation gains accumulated up to 31st March 2007 will reduce over time as assets held at that date are disposed of.

Year Ended 31 March 2009		Year Ended 31 March 2010
£000		£000
55,779	Opening balance 1 April	39,479
(12,986)	Depreciation in year	(16,175)
3,825	Revaluation depreciation	5,937
(831)	Loss on disposal of fixed assets	(849)
2,975	Impact of current value on historic cost	(75)
(16,240)	Impairment	(6,488)
(19,001)	Disposals	(14,234)
12,016	Disposals depreciation	9,039
2,300	Capital receipts applied	4,000
1,104	Revenue contributions	1,799
5,759	Grants released	6,371
4,779	MRP and PFI lease redemption	6,171
39,479	Closing balance 31 March	34,975

33. Financial Instruments Adjustment Account

The amount in this account represents the discount on rescheduling adjustment.

34. Revaluation Reserve

The Revaluation Reserve was created on 1st April 2007 and therefore shows revaluation gains accumulated since that date only. The reserve records accumulated gains on fixed assets arising from increases in value as a result of inflation or other factors that have not been consumed by subsequent downward revaluations. The reserve also records depreciation charges associated with the movements described above. The overall balance on the reserve represents the amount by which the current value of fixed assets in the balance sheet is greater because they are carried at revalued amounts rather than depreciated historical cost. The balance on the reserve does not represent a resource available to support capital financing.

Year Ended 31 March 2009 £000		Year Ended 31 March 2010 £000
1,813	Balance at 1 April b/f	6,448
2,230	Revaluation gains	6,802
<u>2,405</u>	Depreciation on revaluation gains	<u>2,990</u>
6,448	Balance at 31 March c/f	16,240

35. Collection Fund Adjustment Account

Year Ended 31 March 2009 £000		Year Ended 31 March 2010 £000
0	Balance at 1 April b/f	477
477	Share of Collection Fund (surplus)/deficit	<u>(179)</u>
<u>477</u>	Balance at 31 March c/f	298

36. PFI Reserve

Year Ended 31 March 2009 £000		Year Ended 31 March 2010 £000
11,484	Balance at 1 April b/f	12,182
<u>698</u>	Receipts from revenue account	<u>611</u>
12,182	Balance at 31 March c/f	12,793

37. Usable Capital Receipts Reserve

These are capital receipts, which may be used to finance capital expenditure or repay debt.

Year Ended 31 March 2009		Year Ended 31 March 2010
£000		£000
9,173	Balance at 1 April b/f	8,428
1,555	Received during year	583
(2,300)	Less: Application of Receipts:	
8,428	Capital Equipment and Building Works	(4,000)
	Balance at 31 March c/f	5,011
	Source of receipts	
0	Sale of vehicles plant & equipment	47
0	Sale of houses	125
250	Sale of land and buildings	411
1,305	Sale of helicopter	0
1,555		583

38. Earmarked Reserves

Year Ended 31 March 2009		Year Ended 31 March 2010
£000		£000
11,999	Balance at 1 April b/f	11,590
(5,606)	Applied in year	(6,669)
(1,096)	Returned to General Fund via I&E	(70)
6,293	Receipts in year from Revenue Account	131
11,590	Balance at 31 March c/f	4,982
3,094	Strategic Change Programme	356
1,800	Bank Holiday	1,800
1,867	Uniform/equipment replacement	1,984
1,190	DFM carry forwards	379
850	Quest	0
1,357	Modernise uniform/officer developments	439
1,432	Capital expenditure	24
11,590		4,982

Earmarked reserves are those set aside for specific policy purposes.

39. Police General Fund Balance

Year Ended 31 March 2009		Year Ended 31 March 2010
£000		£000
12,098	Balance at 1 April b/f	12,892
794	Revenue Account Surplus/(Deficit)	(153)
12,892	Balance at 31 March c/f	12,739

The General Fund balance is not committed for any specific purpose.

40. Contingent liabilities - Municipal Mutual Insurance (MMI)

On the 30th September 1992, the Authority's insurer, MMI Limited, announced that it had ceased taking new business or issuing renewals and had placed a moratorium on claims payments. On the 6th October 1992, MMI resumed the full payment of claims. However, no new business was accepted or existing policies renewed.

As at 31st March 2010, MMI estimated that 1 claim were still outstanding valued at approximately £0.006m. The extent to which any claims will not be settled in full cannot currently be assessed and, therefore, no provision has been made for these potential liabilities in the balance sheet.

In addition the Scheme of Arrangement provides that the liquidators may "claw back" up to 100% of claim payments made after April 1992, should there be insufficient funds to meet future claims. As at 31st March 2010, based on latest available information, the Authority's share of the total amount subject to the claw back provision was £1.7m. The Authority has set its provision against this potential liability at this amount, to be reviewed annually.

41. Contingent liability - Independent Insurance

On 15th June 2001 Independent Insurance ceased writing new business or renewing expiring policies. The company provided employers and public/third party liability cover to the Police Authority from 1993/94 to 1999/2000. The company is expected to provide indemnity for insured claims made arising from incidents occurring in these years above the self insured levels of £3m for 1993/94 to 1997/98 and £2.5m for the years 1998/99 and 1999/2000. At 31st March 2010 there were no currently notified claims outstanding for the period during which Independent Insurance provided cover to the Police Authority.

42. Accounting for Retirement Benefits Under FRS 17

The objectives of FRS17 are to ensure that:

- (i) financial statements reflect at fair value the assets and liabilities arising from an employer's retirement benefit obligations and any related funding
- (ii) the costs of providing retirement benefits are recognised in the accounting period(s) in which the benefits are earned by the members of the scheme, and related finance costs and changes in asset and liability values are recognised in the accounting periods in which they arise; and
- (iii) the financial statements contain adequate disclosure of the cost of providing retirement benefits and related gains, losses, assets and liabilities.

Pension Schemes

Police Pension Scheme

Police officers may join the Police Pension Scheme, a defined benefit statutory scheme administered by Greater Manchester Police Authority in accordance with the Police Pensions Regulations 1987 and the Police Pensions Act 1976, as amended. There are no assets held to offset against liabilities. Employer and employee contributions, based on a percentage of pensionable pay, are paid into the Police Pension Fund Account, see page 91.

The FRS17 disclosures include liabilities in respect of injury awards.

The Government Actuary's Department (GAD) prepared the FRS17 disclosures using the following data, which excludes additional employer contributions to the Police Pension Fund Account.

- Actual pay and pensions increases
- Numbers of serving officers, deferred pensioners and pensioners at 31.3.10
- Employee contributions up to 31.3.10
- Benefit expenditure up to 31.3.10
- Expenditure recharged to the Authority from Cheshire, Lancashire and West Yorkshire Police Authorities in respect of pension increases from service accrued before 1974
- Retirements on unreduced pensions during 2009/10 not anticipated in the normal employer service cost (e.g. injury retirements)

Local Government Pension Scheme

Police staff may join the Greater Manchester Pension Fund, part of the Local Government Pension Scheme, a defined benefit statutory scheme administered by Tameside MBC in accordance with the Local Government Police Pension Scheme Regulations 1997, as amended. Scheme members contributions of between 5.5% and 7.5% and Authority contributions of 14.1% are paid into the fund. The Authority also meets the cost of inflation awards to pensioners of the Fund. In preparing the FRS17 disclosures the following data was used:

- individual membership data
- individual pensioner data in respect of unfunded pensions
- the latest numbers of employees, deferred pensioners and pensioners
- employer and employee contributions up to the latest available date
- the actual split of fund assets as at the latest available date
- actual fund returns provided up to the latest available date
- the mid market value of fund assets as at the latest available date
- any new early retirements from 1st April 2009 to the latest available date on unreduced pensions not anticipated in the normal employer service cost

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Police Scheme and the Local Government Fund liabilities have been assessed by the Government Actuary's Department (GAD) and Hymans Robertson LLP respectively, estimates for the Local Government Fund being based on the latest full valuation of the scheme as at 1 April 2007.

The Police Pension Scheme has no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2010	31 March 2009
	%	%
Equity investments	67%	67%
Bonds	16%	16%
Property	6%	7%
Cash	11%	10%

The principal assumptions used by the actuary have been:

	Police Pension Scheme £000s		Local Government Pension Scheme £000s	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
Long term expected rate of return on assets in the scheme:				
Equity investments	0	0	7.8%	7.0%
Bonds	0	0	5.0%	5.4%
Property	0	0	5.8%	4.9%
Cash	0	0	4.8%	4.0%
Mortality assumptions:				
Longevity at 65 for current pensioners				
Men	23.9 yrs	23.4 yrs	20.8 yrs	19.6 yrs
Women	27.1 yrs	26.6 yrs	24.1 yrs	22.5 yrs
Longevity at 65 for future pensioners				
Men	26.0 yrs	25.6 yrs	22.8 yrs	20.7 yrs
Women	29.1 yrs	28.6 yrs	26.2 yrs	23.6 yrs
Rate of inflation	3.9%	3.0%	3.8%	3.1%
Rate of increase in salaries	5.4%	4.5%	2.6%	2.6%
Rate of increase in pensions	3.9%	3.0%	3.8%	3.1%
Rate for discounting scheme liabilities	5.8%	6.9%	5.5%	6.9%
Take-up of option to convert annual pension into retirement lump sum	n/a	n/a	50%	50%

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010.

		31 March 2010	31 March 2009	31 March 2008	31 March 2007	31 March 2006
		%	%	%	%	%
Difference between the expected and actual return on assets	Police	0	0	0	0	0
	Local Govt	(7.6)	(6.9)	(11.0)	0.6	12.6
Experience gains and losses on liabilities	Police	(1.4)	(0.7)	(2.9)	(1.6)	0.6
	Local Govt	(2.42)	(0.03)	0.6	0.2	(1.6)

Non adjusting post balance sheet event

It was announced in the Budget on Tuesday, 22nd June 2010, that the Government will adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the operation of the pension schemes that Greater Manchester Police Authority provides to its employees.

Nationally, it has been calculated that if the change from RPI to CPI reduces pension increase assumptions by 0.75% this is likely to lead to a reduction in liabilities of approximately 10%. However, this estimate does not take into account individual Authority membership profiles and proportions of active, deferred and pensioner liabilities. In addition, the Hutton review, due before the 2011 Budget, is likely to suggest other short-term pension savings which could affect the percentage quoted above. For these reasons an estimate of the financial effect of the change has not been made.

Readers of the accounts should be aware that the figures in the Core Financial Statement and notes have been prepared for the purposes of FRS17 only and have no validity in other circumstances. In particular, they are not relevant for calculations undertaken for funding purposes, for accounting under international accounting standards and for other statutory purposes under UK pensions legislation.

43. Financial assets and financial liabilities

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories and classifications of financial instruments:

Long term	Current	31 March 2009		Long term	Current	31 March 2010
£m	£m	£m		£m	£m	£m
			Financial assets (loans and receivables)			
17.000	58.560	75.560	Investments	9.000	71.299	80.299
1.445	38.919	40.364	Debtors and prepayments	1.751	32.906	34.657
			Financial liabilities (amortised cost)			
66.534	25.225	91.759	Borrowing	110.747	6.574	117.321
0	61.569	61.569	Creditors	0	51.268	51.268
54.119	2.594	56.713	PFI finance lease	51.782	2.337	54.119

Fair value – financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction with no other motive than to secure a fair price. Fair values are determined by calculating the Net Present Value (NPV) of future cash flows, which provides an estimate of the value of payments in the future in today's terms. The rates used in the NPV calculations in respect of assets were wholly market rates on 31st March 2010 for instruments with the same duration, structure and terms. The rates used in respect of liabilities were the PWLB rates applying to new loans at 31st March 2010. The table below shows the fair value of assets and liabilities disclosed in the balance sheet at 31st March 2010.

Balance sheet disclosure	Fair value disclosure at 31 March 2009		Balance sheet disclosure	Fair value disclosure at 31 March 2010
£m	£m		£m	£m
5.187	5.352	Financial assets	0	0
6.900	6.900	Callable deposits	5.366	5.350
58.297	59.144	Cash	56.519	56.881
5.180	5.187	Fixed term deposits	5.005	4.959
0	0	Other structured deposit	13.409	13.400
75.564	76.583	Money Market Funds	80.299	80.590
77.785	78.339	Financial liabilities	104.074	102.992
0.142	0.183	PWLB Maturity loans	0.125	0.157
77.927	78.522	PWLB EIP loans	104.199	103.149

The differences between carrying and fair value amounts are not material. No gains or losses have been recognised in the year.

Risks arising from financial instruments

Credit risk

This is the possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss for the other party. This may happen if debtors default or investments are not repaid.

In respect of debtors action is taken when payments become overdue which may lead to legal action to recover the debt. As 31st March 2010 £2.7m trade debtors had been outstanding for 30 days or more (£2.8m at 31st March 2009). The Authority provides for bad debts each year based on historical evidence updated to reflect current conditions. The provision made during 2009/10 was £0.257m (£0.323m in 2008/09).

Risk relating to investments is managed in accordance with the Authority's Treasury Management Strategy Document, produced in accordance with the CIPFA Code of Practice for Treasury Management in the Public Services which the Authority adopted in March 2002. Treasury Management indicators are set to control key financial instrument risks in accordance with CIPFA's Prudential Code. Counterparty lists are reviewed and updated as credit ratings change. Historically, the Authority has suffered no losses where principal sums and the agreed interest due have not been repaid.

Gross Credit Exposure by Credit Rating at 31st March 2010:

Financial asset category	Fitch rating	Investment £m
Deposits with UK Banks	AA-	58.989
Deposits with UK Building Societies	AA-	7.901
Deposits with money market funds	AAA	13.409

Interest Rate Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments.

The Treasury Management Team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget.

The Authority has no variable rate borrowings and one variable rate investment, £5m with the Royal Bank of Scotland at 3 month LIBOR + 25 basis points.

Borrowings and investments are not carried at fair value so nominal gains and losses would not impact on the Income and Expenditure account and on the STRGL.

Economic climate

At the current time it is difficult to have confidence in how strong the UK economic recovery will prove to be, and there is an identifiable (albeit small) risk of a double dip recession, creating a downward spiral of falling demand, falling jobs and falling prices and wages, creating deflation.

The Authority continues to be affected by low returns on investments and robust long-term borrowing rates.

Liquidity Risk

This is the possibility that a party will be unable to raise funds to meet its commitments associated with financial instruments. This may happen if the Authority is unable to pay its creditors or loan repayments as they fall due. This risk is managed by cash flow projections including a maturity analysis in respect of borrowing, (see note 29 to the Core Financial Statements). If unexpected movements happen the Authority has ready access to borrowings from the money markets and the Public Works Loan Board, and also has access to an uncommitted overdraft facility if necessary. The Authority has historically never been in a position where it cannot meet its commitments and borrows short term infrequently.

Market risk

This is the possibility that the value of an instrument will fluctuate because of changes in interest rates, market prices or foreign currency exchange rates.

The Authority has no material exposure to this type of risk.

44. The Statement of Accounts was authorised for issue on 21st June 2010 by Alan Westwood, CPFA, Treasurer to the Police Authority. This is the date up to which events after the balance sheet date have been considered.

Notes to Cash Flow Statement

45. Reconciliation of net surplus (deficit) on the income and expenditure account to the revenue activities net cash flow in the statement

Year Ended 31 March 2009	Description	Year Ended 31 March 2010
£000		£000
212,622	(Surplus)/Deficit for the year	172,064
	<u>Non-cash transactions</u>	
(12,986)	Depreciation including Amortisation of Intangible Fixed Assets	(16,174)
(16,240)	Impairment of Fixed Assets	(6,488)
5,759	Government Grants Deferred Amortisation	6,371
(196,134)	Pensions	(156,444)
(831)	Net loss on sale of fixed assets	(849)
(2,373)	Contribution to Provisions	(1,189)
(241)	Collection Fund Adjustment	(179)
	<u>Items on an Accruals Basis</u>	
634	Less/(add) incr/(dec) in stocks	(379)
(1,617)	Less/(add) incr/(dec) in debtors	(2,678)
4,604	Less/(add) incr/(dec) in creditors	2,836
	<u>Other items</u>	
(12,196)	Interest paid	(12,452)
7,303	Interest received	3,754
<u>(11,696)</u>		<u>(11,807)</u>

46. Reconciliation of net cash flow to movement in net debt

	Year Ended 31 March 2010
	£000
(Increase)/Decrease in Cash	1,565
Increase/(Decrease) in Debt	22,680
(Increase)/Decrease in Liquid Resources	(6,150)
Change in Net Debt	<u>18,095</u>
Net Debt 31 March 2009	(74,738)
Net Debt 31 March 2010	<u>(92,833)</u>
	<u>18,095</u>

47. Reconciliation of items under the financing and management of liquid resources to the opening and closing balance sheets

	31 March 2009	Cash Flow	31 March 2010
	£000	£000	£000
<u>Cash</u>			
Imprest cash balance	639	0	639
Cash overdrawn at bank	(914)	(1,565)	(2,479)
	(275)	(1,565)	(1,840)
<u>Financing</u>			
Debt due within one year	(27,310)	19,197	(8,113)
Debt due after one year	(120,653)	(41,877)	(162,530)
	(147,963)	(22,680)	(170,643)
<u>Liquid Resources</u>			
Investments	73,500	6,150	79,650
	(74,738)	(18,095)	(92,833)

48. Liquid resources are specified and non-specified investments as set out in the Authority's investment strategy. Specified investments will be sterling denominated, have a maturity of less than one year, and made with a body having a high credit rating (as defined within the strategy).

Non-specified investments are in most cases for periods in excess of one year, and are also made with a body having a high credit rating (as defined within the strategy).

Non-specified investments also include structured deposits, Gilts, Treasury Bills and Certificates of Deposit.

49. Analysis of Government Grants

Year Ended 31 March 2009	Description	Year Ended 31 March 2010
£000		£000
656	Loan Charges Grant	526
232,718	Specific Police Grant	238,984
17,645	CT Hub	19,282
648	CT Prevent	1,500
9,735	Other Government Grants	12,299
3,458	Security	4,017
17,208	Crime fighting fund	17,208
7,803	Rule 2 Grants	7,803
18,039	Community support officers	17,520
2,888	Basic command units	2,815
5,315	Private finance initiative	5,315
1,085	Asset incentivisation	0
29,978	Police Pension Fund top up grant	40,510
347,176		367,778

The Police Authority Pension Fund Account

The funding arrangements for police pensions changed on 1st April 2006. The scheme remains unfunded but is no longer on a pay-as-you-go basis with pensions paid direct from the Income and Expenditure Account. Instead an employer's pension contribution based on a percentage of pay is paid into the Pension Fund. The amounts that must be paid into and out of the Pension Fund are specified by the Police Pension Fund Regulations 2007 and do not include injury awards.

Year ended 31 March 2009 £000		Year ended 31 March 2010 £000
	Contributions receivable	
	- from Police Authority	
(65,426)	- normal	(68,356)
(754)	- early retirements	(425)
(38)	- other (reimbursement of unabated pensions of 30+ police officers)	(25)
(29,280)	- from Members	(30,421)
	Transfers in	
(1,522)	- individual transfers from Police Authorities and other schemes	(3,367)
	Benefits payable	
95,849	- pensions	103,507
29,696	- commutations and lump sum retirement benefits	26,758
166	- lump sum death benefits	0
1,214	- other (recharge payments)	1,072
	Payments to and on account of leavers	
1,262	- individual transfers out to Police Authorities and other schemes	2,092
28	- refunds of contribution	63
1	- other (CEP)	28
31,196	Net amount payable for the year	30,926
(31,196)	Additional contribution from the Police Authority	(30,926)
0	Balance at year end	0

The Police Pension Fund Net Assets Statement

2008/09 £000		2009/10 £000
	Net current assets and liabilities	
0	- contributions due from employer	0
0	- unpaid pension benefits	0
0	- other current assets and liabilities (other than liabilities to pay pensions and other benefits in the future)	0
0		0

NOTES TO THE POLICE AUTHORITY PENSION FUND ACCOUNT AND NET ASSETS STATEMENT

1. The Fund was established under the Police Pension Fund Regulations 2007 (SI 2007 no. 1932) and is administered and managed by the Chief Constable on behalf of the Police Authority.

2. The Police Pension scheme is an unfunded, defined benefit scheme. There are no investment assets.

3. The Fund receives contributions from the Authority as the employer and from scheme members based on a percentage of pensionable pay. Percentages were:

	2008/09	2009/10
Employer	24.2%	24.2%
Employee		
- 'Old' scheme	11%	11%
- 'New' scheme from 1.4.2006	9.5%	9.5%
- 'New' scheme from 1.4.2006 (excluding ill health element)	6%	6%

Inward transfer values are paid into the Fund.

4. Benefits payable to scheme members are made from the Fund with the exception of injury awards which are payable by the Authority. Administrative costs are met by the Authority. Outward transfer values are paid from the Fund.

5. The fund is balanced to zero each year. If income to the fund exceeds expenditure then the excess is paid to the Police Authority. If expenditure exceeds income then the Police Authority must fund the deficit. The Police Authority pays any excess income to the Home Office and receives Police Pension Fund top up grant from the Home Office to fund any deficit.

6. The amount of Home Office grant outstanding at 31st March 2010 has been accrued and is shown in the Police Authority's Balance Sheet.

7. The Fund's financial statements do not take into account liabilities to pay pensions after 31st March 2010. Liabilities to pay future payments are included in the FRS17 note to the Core Financial Statements.

8. The Fund's Accounting Policies are set out in the main Statement of Accounting Policies.

GLOSSARY OF FINANCIAL TERMS

Accruals - The concept that income and expenditure are recognised as they are earned or incurred, not as money is paid or received.

Actuarial Gains and Losses - For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because (a) events have not coincided with the actuarial assumptions made for the last valuation; or (b) the actuarial assumptions have changed.

Amortised Cost - Where part of the carrying amount of an asset or liability in the Balance Sheet will be either written down or up via the Income and Expenditure Account over the term of the instrument.

Assets - Items of worth which are measurable in terms of money (value). Current assets are ones that may change in value on a day-to-day basis (e.g. stocks). Fixed assets are tangible assets that yield benefit to the Authority and the services it provides for a period of more than one year.

Budget Strategy Group - A group of senior Members, Police Authority Officers and Force Command Team Officers established by the Authority to oversee budgets and the SFO.

Capital Charge - The charge to the revenue account for the use of fixed assets. As a minimum, the capital charge must cover the annual provision for depreciation, where appropriate, plus a capital financing charge determined by applying a specified notional rate of interest to the net amount at which the asset is included in the balance sheet.

Capital Expenditure - Capital expenditure is defined by legislation but is broadly expenditure on the acquisition of a fixed asset, or expenditure which adds to, and not merely maintains, the value of an existing asset.

Capital Financing Charges - The annual charge to the Revenue Account in respect of the minimum revenue provision and interest on money borrowed.

Capital Financing Requirement (CFR) - A measure of the Authority's underlying need to borrow to finance its capital investment. The requirement is calculated by aggregating assets, deferred charges, government grants deferred, fixed asset restatement account and capital financing account from the balance sheet.

Capital Grants - Grants received towards capital expenditure either generally or for a particular project.

Capital Receipts - Money received from the sale of land or other capital assets. They may be used to finance capital expenditure or repay existing debt.

CIPFA - The Chartered Institute of Public Finance and Accountancy. This is the main professional body for accountants working in the public sector.

Contingent Liabilities - Sums relating to past events that may become due to individuals or organisations in the future. Such liabilities are not recognised within the accounts but are described as a note.

Corporate and Democratic Core - The costs of democratic representation and management and corporate management.

Creditors - Amounts owed by the Authority for work done, goods received or services rendered where payment has not been made at the date of the balance sheet.

Current Service Cost - The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current financial year, i.e., the ultimate pension benefits "earned" by employees in the current year's employment.

Curtailments - For a defined benefit pension scheme, an event that reduces the expected years of future service of present employees or reduces the accrual of defined benefits for a number of employees for some or all of their future service.

Debtors - Amounts due to the Authority for work done, goods received or services supplied but not received at the date of the balance sheet.

Deferred Charges - Items of capital expenditure which do not result in, or remain matched by, tangible fixed assets.

Defined Benefit Scheme - A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded (as with Police staff) or unfunded (as with Police officers).

Defined Contribution Scheme - A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation - The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, the passage of time or obsolescence through technological or other changes.

Direct Revenue Financing - The method of financing capital expenditure directly from revenue in the financial year.

Expected Return on Pension Assets - For a defined benefit pension scheme, the average return, including both income and charges in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Fair Value - The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction with no other motive than to secure a fair price.

Financial Instrument - Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Financial Reporting Standard (FRS) - Accounting standards developed by the Accounting Standards Board (ASB) are contained in Financial Reporting Standards.

Impairment - A reduction in the value of a fixed asset due to either a consumption of economic benefits or a general fall in prices.

Local Area Agreements (LAA) - These are made between central and local government and aim to achieve local solutions that meet local needs while also contributing to national priorities and the achievement of standards set by central government.

Minimum Revenue Provision (MRP) - The minimum amount which must be charged to the revenue account each year and set aside as provision for credit liabilities, presently 4% of outstanding debt at the beginning of the financial year.

National Non-Domestic Rate (NNDR) (also known as Business Rates) - A levy on business property, based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines national rate poundage each year which is applicable to all local authorities. Local authorities collect the non-domestic rate but the proceeds are pooled and distributed by central government to receiving authorities (including police authorities) on the basis of resident population.

Net Current Replacement Cost - The cost of replacing or recreating a particular asset in its existing condition and in its existing use, i.e., the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Realisable Value - The open market value of the asset in its existing use (or open market value in the case of non operational assets) less the expenses to be incurred in realising the asset.

Non Distributed Costs - Costs excluded from the cost of providing services.

Past Service Cost - For a defined benefit pension scheme, the increase in present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Police Grant - A Home Office specific grant allocated between police authorities by a needs based formula similar to FSS.

Precept - The amount the police authority raises from local taxpayers. It is collected by local councils with their council tax.

Private Finance Initiative (PFI) - a government policy of encouraging local authorities to enter into partnership with the private sector in order to provide new facilities or improve existing facilities.

Projected Unit Method - An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. A valuation method in which the scheme liabilities at the valuation date relate to: -

- the benefits for pensioners and deferred pensioners (i.e., individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
- the accrued benefits for members in service on the valuation date.

Provisions - These are sums set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount and/or timing of such costs is uncertain.

Public Works Loans Board (PWLb) - An independent statutory body which can make loans to local authorities and other prescribed bodies. Monies are provided by Acts and Parliament and drawn from the national loans fund.

Related Parties - For the purposes of the Police Authority's accounts related parties are central government, other police and local authorities, elected members, all senior officers from assistant director and above and the support staff Pension Fund. For individuals identified as related parties, the following are also presumed to be related parties: -

- (i) Members of the close family of the same household; and
- (ii) Partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

Reserves - Earmarked reserves are amounts set aside for specific purposes and carried forward to meet expenditure in future years. General reserves represent accumulated balances which may be used to support future spending.

Revenue Expenditure - Expenditure incurred on day to day running expenses of the Authority and Force; the costs principally include employee expenses, capital financing charges and general running costs.

Revenue Support Grant (RSG) - A grant paid by central government to every local authority to help to finance its general expenditure. The payment of RSG attempts to ensure that differences in spending needs and resources between authorities are equalised, in order to permit each authority to support a standard level of spending.

Specific Grants - Government grants to aid particular services.

Statement of Recommended Practice (SORP) - The SORP sets out the principles and practices required to prepare a Statement of Accounts which 'presents fairly' the financial position and transactions of an Authority. The SORP has statutory backing in the Local Government Act 2003 and departures from it must be disclosed in the published Statement of Accounts.

Statements of Standard Accounting Practice (SSAPs) - Statements prepared by the Accounting Standards Committee to ensure consistency in accountancy matters. Many standards are now applied to local authority accounts and any departure must be disclosed in the published accounts.

Strategic Financial Outlook (SFO) - An exercise undertaken by the Authority to assess revenue and capital expenditure requirements and funding likely to be available in the medium term.

Supported Borrowing - Under the Prudential Code authorities are free to borrow as long as the decisions they make are prudent, affordable and sustainable. Government will support a defined amount of borrowing each year (known as Supported Capital Expenditure Revenue or SCE(R)) through the Revenue Support Grant (RSG) system.

Unsupported Borrowing - Borrowing made under the Prudential Code which does not attract Government support.